

tailrace work, the bookkeepers were probably keeping the books because there was a considerable volume of work which went on, if you recall. You have included that within your period. So I suppose everybody was engaged on that. If you recall, during that period of time, Mr. Hall, the payroll of McCall Ferry Power Company ran up to in excess of \$30,000 a month.

By MR. HALL:

Q. The three men I named, Mr. Gunn, were not directly engaged in construction work—right, during the period? A. I believe Mr. Kirkland certainly was. They were not actually out excavating the rock. Mr. Kirkland was an engineer and certainly active in the design of the plant. Mr. Pender was secretary and treasurer and also an electrical engineer.

Q. Those three individuals were not in direct supervision of the construction work—right? A. They certainly had responsibility in connection with the completion of the designs. There is no question about that.

Q. Inasmuch as those three individuals were located in New York how could they have been in direct supervision of the construction activities? A. I didn't say they were in direct supervision of the [8389] construction activities. I said they had duties in connection with them and they had duties in connection with the design. It is my understanding designing was actually done in New York.

Q. What was the nature of the duties of these three individuals? A. I imagine the ordinary duties of an engineer supervising design. I was located in Baltimore during the design and construction of Safe Harbor. I was working on it. It is not necessary you be sitting on top of the project to have something to do in connection with it.

Q. The fact is, Mr. Gunn, you don't know the specific nature of the duties these three individuals were performing during the period of cessation. Isn't that so? A. All I know about it is what is in the Exhibit 27 and Exhibit 26,

and the fifteen filing cases, all of which have been available to the Commission Staff for the last two and a half years.

Q. Did the retention of the three individuals on the payroll decrease the time necessary to complete the project when it was finally reopened at the end of August, 1909?

A. I am very sure it did.

Q. How much time did it save? A. I don't know how much time quantitatively, but it obviously saved time. [8390] Q. What makes it so obvious that they did? A. Because they were completing the designs of the powerhouse and they had duties in connection with the tailrace excavation.

Q. I thought you stated a few moments ago that you did not know the exact nature of the duties performed by those three individuals? A. That is another matter. When you stick the word "Exact" in there I obviously must say I don't know. But I didn't say, and that doesn't mean, I had no knowledge at all.

Q. What designs were these three individuals completing?

THE WITNESS: Mr. Hall, I have before me a tabulation showing the details of work that was done between those dates which was in the nature of engineering design which is made up of several columns, one of which is headed with the word "By" and immediately below appears H. L. C., which refers to Hugh L. Cooper. That fact indicates that all of these drawings on the first 4 pages were started by Cooper's organization, and that column may be eliminated in copying this.

There is another column headed "Penn Water and Power Company" in which is contained Penn Water and Power Company's drawing numbers set opposite the drawing numbers of McCall. [8391] Ferry Power Company. I think the Penn Water and Power Company drawing numbers for this purpose is without significance and also may be eliminated.

MR. HALL: I suggest, Mr. Examiner, that with the elimination of the two columns referred to by the witness the schedule referred to, consisting of six pages, be copied into the record as if read.

• • •

(The pages referred to are as follows):

[8392] McCALL FERRY POWER COMPANY DRAWINGS

November 1, 1907 to December 31, 1909

<i>Number</i>	<i>Mc F. Co.</i>	<i>Date</i>	<i>Title</i>	<i>Revision</i>
552		2-14-07	Details of ice chute.	7- 9-08
579		3-13-07	Details of recess for upper draft tube casting.	8-17-08
582		3-18-07	Details of recess for turbine thrust bearing.	7-13-08
586		3-18-07	Details of thrust bearing chamber showing castings in place drainage, etc.	8-14-08
630		4-25-07	Manhole between each of main units.	8- 3-08
632		5- 3-07	Cross sec. of substr. at M. U. showing spaces to be filled in when wheels are installed.	8-20-08
645		5-18-07	Detail P. H. substr. through exciter units.	
655		5-22-07	Plan and profile of tailrace.	7-18-08
656		5-23-07	Cross sec. of tailrace.	3-20-08
				7- 7-08
660		5-28-07	Plan of center line of canal below weir.	7-18-08
661		5-27-07	Cross sec. at main power unit showing superstructure.	7-21-08
675		6- 1-07	P. N. Cross sec. of substr. at M. U. #1 to 7, Inc.	7-25-08

<i>Number</i>	<i>Mc F. Co.</i>	<i>Date</i>	<i>Title</i>	<i>Revision</i>
676		5-28-07	Position of transf. with reference to tail water discharge and construction bridge.	7- 6-08
[8393]				
756		8-12-07	P. H. Super-Cone. out. and details of openings wall below gen. room and gate house.	7-15-08
765		8-20-07	P. H. super. detail of end walls river end.	7- 7-08
771		8-26-07	Details of main side walls, gate house.	7-20-08
773		8-26-07	Shore end of P. H. showing fishway location.	7-20-08
774		8-26-07	Details of east end of P. H. from center line of Unit #10.	7-20-08
779		9- 3-07	Details of south wall of gen. room from El. 130.00 to 191.50 between transf. house and shore end.	9-21-08
782		9-10-07	Details of stop log gallery and substr. of transf. house.	4-21-08 9-22-08
785		9-10-07	P. H. super. details of end walls (shore end).	6-18-08 7-18-08
786		8-11-07	P. H. super. detail of wall below El. 191.50 south side of gen. room transf. house to river end.	7-26-08
788		9-18-07	Details of coping river end of P. H.	7-20-08
794		9-19-07	Steel for window frames 1st and 2nd floors, transf. house.	7-21-08
796		9-23-07	Steel for frames shore and river ends.	7-21-08

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*Donald Gunn, Cross**Number*

<i>Mc F. Co.</i>	<i>Date</i>	<i>Title</i>	<i>Revision</i>
797	9-25-07	Details of coping shore end of P. H.	9-21-08
811	10- 4-07	Details upper end of fishway.	7-20-08
854	10- 1-07	Details of windows.	7- 1-08
[8394]			
872	11-19-07	Sketch showing hook for 100 ton traveling crane.	7- 1-08
878	12-12-07	Longitudinal profiles under dam, showing rock bottom as prepared to receive concrete.	
904	1-28-08	Track crossing over permanent R. R. cut.	
905	1-24-08	Preliminary location of entrance R. R. into P. H.	
906	1-24-08	Profile and sections of proposed permanent line from P. H. to P. R. R.	
909	2- 7-08	River end wall of transf. house.	4- 1-08 6-18-08
915	2-19-08	Transf. house south wall river end.	Obsolete
918	2-21-08	Transf. house south wall (shore end). Super. by 259 A 2546	
919	2-24-08	Details of coping for river end of transf. house.	4- 1-08 6-18-08
944	4-10-08	Sketch plan concrete east of No. 10 unit.	
1011	5-23-08	Details of conc. piers on top of cribs—ice protection.	
1018	6-16-08	Cross sec. of M. U. showing opening in concrete for supporting ring brake arms and cylinders, conduit pipe for handling operating shaft.	8-15-08

<i>Number</i>	<i>Mc F. Co.</i>	<i>Date</i>	<i>Title</i>	<i>Revision</i>
1019		6-19-08	Ice protection, gen'l. details of boom.	Super. by 4287
1020		6-23-08	Sketch showing arrg't. of trolleys and tracks for tailbay stop log hoist.	
[8395]				
1030		7- 9-08	Details of ice chute tunnel and foot bridge at shore end of P. H.	Super. by 239 A 2470
1032		7-13-08	Details of stop logs for ice chutes at shore end of P. H.	Obsolete
1033		7-20-08	Sectional plan of P. H. at El. 138.50.	
1049		7-23-08	P. H. plan and El.	
1050		7-25-08	Steel for window frames 1st floor transf. house.	
1052		7-29-08	Drainage System of P. H.	
1057		8-22-08	Air line as constructed.	
1058		8-31-08	Sketch showing expansion joints and revised arches for deflecting dam.	
1059		9- 4-08	Sketch showing Reinf. of Deflecting Dam.	
1061		9- 3-08	Present contour of rock fill dam.	
1062		9- 3-08	Progress curves of work on Cully's cut. for June, July and August, 1908.	
1063		9-21-08	Progress Curves of work on Cully's cut. 1908 total organization.	
1066		10- 6-08	Gauging of Susquehanna River at McCalls Ferry.	

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Donald Gunn, Cross

[8396] SANDERSON AND PORTER DRAWINGS

November 1, 1907 to December 31, 1909

Number**Sanderson****& Porter****Date****Title****Revisions**

46 B 33	7-15-08	Plan of floor El. 151.0 and Rheo. Gallery shore end show- ing conduits.	3-14-08 6-15-08 10-24-08
46 B 37	1-25-08	Plan of Floor El. 151.0 and Rheo. Gallery River end show- ing conduits.	3-14-08 6-11-08 9-14-08 10-24-08
46 B 46	3-20-08	Transf. pocket oil drains, plan and details locker rm., H-1-H- 2 & L Transf.	
46 A 24	4- 8-08	Cross section of transf. house, generating station	Obsolete
46 B 42	2-24-08	Detail of barriers for 11,000 V cables between 1st and 2nd floors.	Obsolete
—	1- 2-08	Arrg't. feeder panel for cranes	Tracing Missing
—		Diagram of connection of Sta. S & P circuits.	Super.
—	10-15-08	Switchboard for station light and power.	

[8397] EMPIRE ENGINEERING CORPORATION

November 1, 1907 to December 31, 1909

*Number**Empire Const.*

<i>Company</i>	<i>Date</i>	<i>Title</i>	<i>Revisions</i>
4	11- 4-09	Centers for wheel chambers.	
5	11- 6-09	Plan of east end of P. H.	
6	11-20-09	Concrete piers on top of center cribs, ice protection.	
7	11-25-09	Abutment main dam and P. H.	
8	12-20-09	Man hole for main unit.	
10	2-12-10	Windows transf. house.	
11	2-18-10	So. wall transf. house above El. 151.0.	
12	2-25-10	Plans of river and transf. house.	
3	10-28-09	York Co. abutment of main dam.	
—	1-29-10	South wall transf. house below El. 151.0.	Super. by 259 A 2545
—	1-15-10	South wall transf. house below El. 151.0.	Missing Jan., 1927
1	10-11-09	Plan & details of stoplog gallery.	
2	—	Side Elev. pressure and Pro. cableway Charlestown, Md.	

[8398] By MR. HALL:

Q. Mr. Gunn, isn't it a fact that all the drawings described in your answer represent drawings prepared by H. L. Cooper's organization in New York? A. Those on the first 4 pages were started by Hugh L. Cooper's organization, those on the 5th page were started by Sander-

son & Porter and those on the last page by Empire Engineering Corporation.

Q. And the revisions to Cooper's drawings were done by Cooper's organization as well? A. Yes, under the supervision of the individuals we have been talking about in McCall Ferry Power Company.

Q. Were Messrs. Kirkland, Pender and Deutzman in Cooper's New York office? A. No, sir. They were officials of McCall Ferry Power Company. In referring to their supervising and coordination of the completion of these drawings I am referring, of course, to Kirkland and Pender. This other name you mentioned, Deutzman, I don't recognize. I don't know whether or not he was even an engineer.

Q. What connection did Kirkland and Pender have? A. Cooper's New York office was doing the engineering work on McCall Ferry project and Kirkland was vice-president and general manager. Pender was secretary and treasurer.

Q. Did either of those gentlemen supervise Cooper's work? A. Depends on what you mean by supervision. In the sense I have used it they did.

[8399] Q. In what sense did you use the word "supervision"? A. That they exercised general approval over the results of engineering designs made by Cooper, just like the officer of any other corporation would exercise general approval over the work of a contractor he employed.

Q. What documentary evidence, Mr. Gunn, can you point to in order to substantiate the statement that Kirkland and Pender supervised Cooper's New York office? A. I haven't said they supervised Cooper's New York office, Mr. Hall.

Q. The design work of that office. A. I didn't say they supervised the design work of it. I have told you what they did. The documentary evidence is the fact that Kirk-

land was vice-president and general manager of McCall Ferry Power Company.

Q. And everything else that you have stated you infer from that? A. There might be some more evidence in the fifteen filing cases.

Q. You don't know of any that you can point to at this time, do you? A. I don't have any in mind at the moment. It would take a search of those records. I think it is obvious somebody had to do the job and we might be able to find some more evidence if it is that important.

[8400] Q. You thought these two individuals, Kirkland and Pender, did it? A. I thought they did it.

Q. Yes. A. Yes, sir. It is just a necessary function which must be performed. It never occurred to me to question whether or not they did.

* * *

By MR. HALL:

Q. Wasn't Mr. Parsons the head of Cooper's New York organization? A. I don't know. There is no question—if this is what is troubling you—there is no conceivable question but what Mr. Cooper had a supervisor in his New York office. There is also no question in my mind but what the officers of McCall Ferry Power Company had a function to perform in connection with Cooper's design. These were the officers and the function is obvious. By "these" I mean Pender and Kirkland.

[8401] Q. Why is there no question in your mind that Kirkland and Pender had a function to perform in connection with the drawings prepared by Cooper's organization? A. Because I have been practicing engineering for 25 years and I know that such functions are necessary.

Q. And you have assumed that that was the case with Kirkland and Pender back in the period of cessation—right? A. I think it is more than an assumption. I am pretty sure the sun rose back in 1910, but I don't think that is an assumption. I can't prove it with any documentary evidence in the fifteen filing cases.

Q. Isn't it a fact that Kirkland left McCall Ferry Power Company in February of 1908 because there was nothing more for him to do? A. I believe it is a fact he left then. I don't know what the reason was.

Q. Mr. Gunn, did the retention of the engineering experts on the payroll decrease the time necessary to complete the project when it was finally re-opened at the end of August of 1909?

• • •

[8403] THE WITNESS: It is my opinion that it did.

By MR. HALL:

Q. How did their retention decrease the time necessary to complete the project? A. By reason of the work they performed which we have just been discussing.

Q. How much time was saved? A. I don't know.

Q. Isn't it a fact that Mr. Value, Mr. Cooper's representative, left the job and Mr. Goodwin was placed in charge of the tailrace excavation in 1908? A. I believe that is correct.

Q. And isn't it a fact Mr. Goodwin's salary was paid by McCall Ferry Power Company, whereas Mr. Value, if he had stayed, would have been paid by Cooper out of his personal fee as manager of the hydraulic construction?

• • •

THE WITNESS: I think we will have to break that down or have an explanation of it. It is true that Mr. Value, as long as he was needed at the project, was to be paid out of Mr. Cooper's fee. It is also true that Mr. Goodwin was always Mr. Value's assistant and always had been paid by McCall Ferry Power Company. When he did the tailrace work he continued to be paid by McCall Ferry Power Company.

[8404] By MR. HALL:

Q. But he performed the functions Mr. Value would have performed had he remained? A. No.

Q. What additional function did he perform? A. What additional function?

Q. What different function? A. Mr. Value was a man of such capability he was not needed for the tailrace work. Mr. Goodwin was perfectly capable of supervising it.

[8429] By MR. HALL:

Q. Mr. Gunn, isn't it a fact that the hydraulic department of McCall Ferry had its own bookkeeper, timekeeper, storekeeper, clerks, engineers, draftsmen and foremen at McCall Ferry?

THE WITNESS: It is a fact they had engineers, draftsmen and foremen, but it is my understanding that the books of accounts of McCall Ferry Power Company were kept by Sanderson and Porter under their contract, and they were compensated on a cost-plus basis for keeping the books. I believe you will find that in Sanderson and Porter's contract. It very well may be true that the hydraulic department, which was Cooper's organization, may also have had some bookkeepers and timekeepers. That detail I don't recall.

By MR. HALL:

Q. As well as storekeepers and clerks? A. Yes, I should think they would have had to have some storekeepers and clerks to cover their part of the work.

Q. Isn't it a fact that the hydraulic department had its own New York office with a bookkeeper, purchasing agent, [8430] engineers, draftsmen, clerical and stenographic help? Q.A. I don't quite understand your question, Mr. Hall. The hydraulic department was Hugh L. Cooper, as I understand it.

Q. Yes. A. Hugh L. Cooper did have a New York office. I don't understand that he had a separate New York office for the McCall Ferry Power Company project. It is

undoubtedly true that in his New York office he had some clerks and bookkeepers.

Q. Isn't it a fact that Mr. Goodwin's salary and expenses and the salary and expenses of his assistants are charged to the hydraulic department accounts? A. Yes, sir, that was in accordance with Cooper's contract for the construction of the project.

Q. Isn't it a fact that the preparatory work on the tailrace did not commence until May of 1908 and was finished on October 15, 1908?

THE WITNESS: That is substantially correct, although I would say the preparatory work began sometime during the month of April and was finished about October 15.

Mr. Hall, in answering that previous question I understood you to be referring to the resumption of work on the tailrace. Of course, the tailrace work had been started by Kerbaugh [8431] earlier.

By MR. HALL:

Q. That is right. A. And the date you gave me in your question indicated you were referring to the resumption of work on the tailrace in 1908.

Q. That is correct.

So that the men were not engaged on construction work during the period of cessation prior to April, 1908 or after October 15, 1908. A. That depends upon what you refer to by construction work, Mr. Hall. I interpret the general term "construction work" when referred to a project to include all work on it, including the engineering design and all other functions in connection with it.

Now, if you are limiting your term of construction work merely to the work of laborers doing such things as excavation and pouring concrete, installation of machinery and work of that sort, if you so limit it then I believe that is substantially correct.

[8432] By MR. HALL:

Q. Did the treasurer have a separate office in New York at 62 Cedar Street? A. I really don't know, Mr. Hall. I don't recall.

Q. Where was the treasurer's office? A. I don't recall.

Q. It was located in New York, wasn't it? A. I believe it was.

Q. Hutchinson and Dimock and their assistants had an office in New York at 60 Wall Street. Isn't that so? A. Hutchinson had an office in New York somewhere. I don't know whether it was at that address, and I don't understand that Hutchinson's office had anything to do with Dimock's office. Hutchinson was a consulting engineer in New York and had a consulting engineer's office there. I was never aware that it had any connection with Dimock or anybody else.

Q. Cooper and his assistants had an office in New York which was charged to the McCall Company. Isn't that so? A. No, I don't think that follows: It is true that Cooper did have, he and his assistants did have, an office in New York, but it is my understanding that their sole business at that time was not work they were doing on McCall Ferry project, and therefore I don't assume that all of Cooper's New York expense was charged to McCall Ferry project.

Q. Didn't the McCall Ferry Power Company pay the office [8433] rent for Cooper's New York Office? A. I don't know. They may have paid a part of it. I don't think it follows they necessarily paid it all. I think it would have been perfectly proper for them to pay a part of it, a proper part of it. They had to have some place to house the personnel in New York which Cooper was employing on the McCall Ferry project.

Q. Did I correctly understand you to say, Mr. Gunn, that Cooper had a New York office which was engaged on all Cooper's work? A. That was my understanding of it.

Cooper was a consulting engineer and maintained a permanent office in New York.

Q. Cooper also had a local hydraulic office at McCall Ferry which was charged to the project—right? A. He had some personnel there. I don't know whether you would call it an office or not. He had the men who were reporting to Mr. Valie and to Mr. Goodwin. I would suspect he had several engineers there. A project of that magnitude would require the services of several engineers, a surveying corps, and numerous other technical personnel.

Q. Sanderson and Porter had an office in New York which made charges to the project. Isn't that so? A. I assume they did. I think their contract provides that they would have to cover their scope of the work as covered by their contract.

[8434] Q. As a matter of fact, until September 1, 1906, Sanderson and Porter acted as accounting managers and kept books of the McCall Ferry Power Company. Isn't that so? A. That is my understanding.

Q. What other offices did McCall Ferry project support? A. I don't quite understand that question, Mr. Hall.

Q. The same types of offices we have been discussing. A. I suppose they had any other offices they needed in connection with the project, but I don't recall offhand. As a matter of fact, I don't think it can properly be said they supported the ones we have been talking about, unless you are using "support" in the sense I have limited it in my answers.

Q. Did Cooper complete all the work he undertook in his contract with McCall Ferry Power Company? A. No.

Q. As a matter of fact, Empire Engineering Corporation completed the hydraulic construction started by Cooper and received a fee of \$60,000 for so doing. Isn't that so? A. They completed what Cooper had not finished.

Q. Yet Cooper also received his full fee of \$130,000 without deduction for the work he did not complete—right?

A. I believe that is correct, because he was able to demonstrate that he was in a position to fulfill the contract. McCall Ferry was not in a position to do it, and as I recall it Cooper threatened to sue them for it. In any event they [8435] felt it necessary to pay the man.

TRIAL EXAMINER: When did he threaten to sue? Do you remember?

THE WITNESS: It was after the project was in financial difficulties.

May I check that?

He threatened to file a suit in October, 1908. His claim was based upon this fact, Mr. Examiner: His contract called for certain payments if he would complete his work by a certain date, that is the part of the work covered by his contract. At the time McCall Ferry Power Company got into financial difficulties, Cooper's work was so far advanced it was perfectly obvious that he, on his part was capable of completing it. It was on that basis that they were forced to settle and make the payment to him.

By MR. HALL:

Q. Do you know how much of Cooper's fee is applicable to the work he did not complete? A. None, obviously.

Q. Isn't it a fact that Cooper's fee covered only his and Value's supervisory services with all salaries and expenses in connection with preparation of plans or construction work being paid by McCall Ferry?

[8436] THE WITNESS: Yes, I believe that is correct, Mr. Hall, if you interpret the word "salary" as being Cooper's total remuneration.

By MR. HALL:

Q. The cost of preparing plans is included in the hydraulic department expense, is it not? A. Yes, all of the costs of preparing plans except Cooper's and Value's supervision of it.

Q. Preparation of plans did not necessitate closing down the project? A. No.

Q. Did Sanderson and Porter complete the work they had contracted to do for their fee of fifty thousand dollars?

THE WITNESS: They completed the drawings, which was a part of their contract, but they did not complete the installation of machinery, which also was a part of the contract.

By MR. HALL:

Q. Isn't it a fact that the installation of the electrical work had not even begun when work was suspended on November 1, [8437] 1907? A. That is substantially correct.

Q. And a large part of the material and equipment had not even been ordered. Isn't that so? A. No, I don't think that is quite so. As a matter of fact, as I recall it, the majority items of equipment and material, which are the great bulk either dollarwise or any other way you want to compute it, had been ordered.

Q. None of the substation materials or transmission line materials had been ordered. Isn't that so? A. That is correct, but as a matter of purchasing and ordering that is a relatively minor operation. The equipment I had reference to was turbines, generators, transformers, I believe the switchboard as a unit had been ordered, and certainly as regards the power station that was by far the greater part of the materials and equipment.

Q. Isn't it a fact that the transmission line had not yet been surveyed or specifications drawn therefor? A. No, I don't think that is correct because McCall Ferry Power Company had advanced to their lands agents somewhere about \$100,000. They were actually buying the right of way with it. It is perfectly obvious they couldn't have been buying right of way without knowing where they would locate the line.

Q. Well, Mr. Gunn, does the surveying and specifications [8438] precede the acquisition of right of way? A. Certainly. It must. Otherwise you wouldn't know where to buy the right of way, you wouldn't know where you wanted to locate the towers, you wouldn't know what clearances you were going to have in the line; in fact you would be just silly to start buying right of way without knowing the characteristics of the line and without knowing the route over which it would run. You might as well just start out buying miscellaneous farm lands.

Q. Isn't it a fact, Mr. Gunn, that the work which Sanderson and Porter were obligated to do was actually completed by Mr. Wails? A. Some of it was.

Q. What portion? A. The installation of machinery. That is the principal item, Mr. Hall.

Of course, of the work Sanderson and Porter were contracted to perform, by far the greater part of the responsibility under that contract was the design of the powerhouse and the specification of the equipment, and particularly the major equipment.

Q. Do you know what portion of the fee actually paid Sanderson and Porter represented work actually performed by them? A. All of it. That seems perfectly obvious to me, Mr. [8439] Hall, for the reason that with the financial condition McCall Ferry Power Company were in they certainly wouldn't have paid it unless they felt they had to pay it. I don't know that Sanderson and Porter undertook to sue them for it, but I have no doubt they would have if it had not been forthcoming.

Q. Do you have any means of determining the exact proportion of Sanderson and Porter's supervisory functions, which were completed? A. I have described them to you. I don't know how you would measure them except by description.

Q. Is insurance paid during the period of cessation a proper charge to construction? A. Certainly.

Q. Does that apply to fire insurance? A. Each and every dollar they spent for whatever they may have paid it so long as it was a justified and prudent expenditure.

Q. How do you justify that insurance as a proper construction charge? A. Because it was a proper and prudent thing to do, that is the taking of insurance. For example, if they had not taken insurance and they had a fire, done serious damage to the construction work already done, it would have cost much more to complete the powerhouse and they might have gone busted again.

* * *

[8440] By MR. HALL:

Q. Did you consider, Mr. Gunn, the construction period was in any way affected by the payment of insurance charges? A. Not by the actual payment of the charge, Mr. Hall, but if there had been no insurance and there had been a serious [8441] fire, I think it very well may have been serious—it very seriously would have affected, indeed the project may never have been completed. In other words, it has the same effect that insurance against a risk which does not incur always has on every operation of every sort.

* * *

By MR. HALL:

Q. Did you make any investigation of the insurance charges to determine how much applied to the period from November 1, 1907 to September 1, 1909? A. No, sir, that was of no significance to me.

Q. Did the general engineering expenses incurred during the period of cessation decrease the time necessary to complete the project after its reopening in August of 1909? A. Unquestionably they did.

Q. In what manner? A. By forwarding the engineering work in such manner that when they did reopen the project they were in a position to go ahead unhampered by the necessity of attempting to pursue construction and

design simultaneously. I think it not only shortened the construction period, but when a project is built that way—and by that way I mean attempting to pursue construction just one jump behind the plans—it is also much more expensive than it is if the plans are perfected [8442] and the construction can be planned far in advance.

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Q. Mr. Gunn, isn't construction and design usually pursued virtually simultaneously? A. All too often it is, but it is highly undesirable.

Q. It was being done that way prior to November 1, 1907—right? A. No, I don't understand that to be a fact.

Q. You mean that the designs were ahead of construction? A. I understand that the designs were far enough ahead of construction until they were not hampering the construction work.

Q. What is that based on, Mr. Gunn? A. Based on several things. First, the fact that the work prior to the date we are now discussing, that is the so-called cessation period, had been largely on the dam in which a few simple plans provided a very great magnitude of work. For example, in designing the dam they needed only a plan and cross section, and with those two drawings and maybe a few detailed drawings they had a year and a half of work ahead of them.

But when you go into the powerhouse to design that and to construct that it becomes an altogether different matter [8443] and a very much more important matter that your drawings precede your actual installation by enough time to do several things: To organize and plan the work, to schedule the delivery of the equipment so that it would come in in the order in which it can be installed, and it will not involve a lot of rehandling, and it has many advantages which if they are not present result in excessive cost of the work.

Q. How much time was saved by the design work you have just referred to? A. I couldn't state precisely how much it saved. That would be pure speculation. I think it would be possible to go back over the details minutely and make some sort of an intelligent guess at it, but I don't think you could describe it as any more after it was done, other than to say it would result in a substantial saving. I don't know how to describe it other than that.

Q. Did you reach any conclusion as to the amount of time saved before you included the expenditures in question in your claim? A. No, sir, I just recognized it would be a substantial saving of time and also cost.

Q. What do you mean by a saving of substantial time? A. Just that.

Q. What is substantial time? A. It is substantial time. By that I mean it is not [8444] a trivial saving. Let's put it that way.

Q. Well, is it a month? A. I should think it would be more than a month.

Q. How much more? A. I don't know.

Q. Isn't it a fact that these expenses represent mainly miscellaneous expenses of the engineering experts? A. Which expenses are we talking about now, Mr. Hall?

Q. The expenses included in the account "General Engineering Expenses"? A. During what period?

Q. During the period of cessation.

* * *

[8445] A. Yes, the Account "General Engineering Expense" included that amount of money. However, you have characterized it as cessation period. Of course I disagree with that characterization. Commission staff's exhibit so shows that amount of money.

Q. Otherwise your answer is "Yes"? A. Otherwise my answer is "Yes."

[8446] Q. Why did you capitalize the expenses segregated on the books in the "Cessation Account" totaling

\$36,445.21? A. I don't recognize the figure, Mr. Hall. Where is that to be found?

Q. Will you refer to Page 37, Part 2 of Exhibit 51?
A. Yes, sir, I have that before me now.

Q. Do you see under the disallowed column the amount of \$36,445.21 opposite the words "Cessation Expense"?

THE WITNESS: Yes, I see the figure, Mr. Hall. That is Caption D "Cessation Expense." Those expenses were capitalized because they were unavoidable costs to carry the McCall Company development to completion, and represent costs actually incurred.

May I have the answer, please?

(Answer read.)

THE WITNESS: I don't have the precise details of that account before me, but as I recall it it consists of unloading materials, particularly some ten or twelve carloads of roof tile, stripping forms from concrete which had been [8447] poured previous to cessation, maintenance and repair of the construction plant, and various other items of that nature.

By MR. HALL:

Q. Mr. Gunn, may we describe those expenditures generally as representing clean-up, putting away, and otherwise securing and protecting the plant to preserve it from damage during suspension plus other expenditures caused by cessation? A. You could describe only a small portion of it that way, Mr. Hall. For example, it is true that during that period they greased and did some repairs to the construction plant. Those repairs and that lubricating would have had to be done whether it was laid up or not. It is a fact it was a desirable thing to do it incidental to the laying up of the plant for the cessation period. So it is impossible, in the case even of that item, to classify it exclusively, and that would be the one most likely to be classifiable as you have characterized it. The sole result of having done it was not the cessation period.

Q. Did McCall Ferry have a separate account in which was included the expenditures for, repair and construction work and so forth? A. Referring now to the cessation account?

Q. Yes. A. Yes, they had a separate account. It was that account which contains the cost of unloading, for example, [8448] the roof tile which came into the powerhouse and stripping the concrete forms. Obviously that work had to be performed whether they had a cessation period or not.

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[8449] By Mr. HALL:

Q. Mr. Gunn, did Albert S. Crane prepare a report dated September 10, 1908 on the McCall Ferry Power Company for Electric Bond and Share Company? A. I believe a report was prepared, it seems to me, by Albert S. Crane and working with Mr. S. D. Mortimer, I believe.

Q. Didn't he list in that report the cessation account as "Loss due to stoppage of work"? A. I don't remember what he had in that report, certainly not in that detail.

I haven't looked at the report, Mr. Hall, for seven or eight years.

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Q. Have you excluded the expense of reopening the McCall plant in 1909 in your original cost claim? A. No, sir.

[8450] Q. Why not? A. Because it was a necessary and unavoidable expense in the creation of the enterprise under the circumstances which McCall Ferry and Penn Water encountered.

Q. This expense would not have occurred if construction had occurred without cessation to the completion of the project, isn't that so? A. That is correct.

• • •

Q. Do you have any records of the cost of reopening the McCall development in 1909? A. I don't recall there

were any separate records. Whatever they are, they have been available to the Commission Staff for the last two and a half years. I think there are records of the cost, Mr. Hall. The company has somewhat in excess of fifty thousand vouchers to represent the transactions of the company from its inception, and such costs as [8451] there are no doubt are among those fifty thousand vouchers. My difficulty is that I have not memorized them all.

MR. HALL: May we have marked for identification as Exhibit 205 the tabulation furnished by the company a few days ago and which is entitled "Nature of Interest, Approximate Area, and indicated Purchase Price of Property acquired by Hutchinson, including York Furnace Power Company Properties, Later Conveyed to McCall Ferry Power Company under Contract Identified as Part 19 of Exhibit 27"?

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(The document referred to was marked Exhibit No. 205 for Identification.)

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By MR. HALL:

Q. Mr. Gunn, who prepared the schedule which has been marked for identification as Exhibit 205? A. Mr. Bortner prepared it at my request.

MR. KING: I might add in response to a request from the Staff.

MR. HALL: Yes.

By MR. HALL:

[8452] Q. Am I to understand that this document contains a complete list of all the prices paid for the land by York Furnace Power Company or Cary T. Hutchinson insofar as that information is available?

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THE WITNESS: Yes, sir.

And I would like to call your attention to the last column, the heading of the last column, appearing on the second page. In your question you said "prices paid". Some of the prices, I think it would be proper to say, instead of prices paid that it contains all the evidence which indicates the price paid. The reason I must make that qualification is that the indications contained in that column come from various sources of information, some from correspondence in the file. Some of them deed consideration and some contracts of sale and some by word of mouth from individuals. It is impossible to say with certainty they are the total consideration.

MR. KING: I think the witness inadvertently referred to the heading on page 2 of that exhibit. It is the same heading on both pages, as I understand it.

TRIAL EXAMINER: Is that right?

THE WITNESS: Yes, that is correct. I thought I had referred to page 1. In any event the heading is the same on both pages, and the explanation I have given applies to both [8453] pages.

By MR. HALL:

Q. Am I to understand that Exhibit 205 for Identification embraces a complete list of the properties conveyed to McCall Ferry Power Company under the contract identified as Part 19 of Exhibit 27? A. Yes, so far as I know.

Q. How was the total price of \$261,000 paid by Hutchinson for the York Furnace properties determined, which is noted at the bottom of Sheet 1 of Exhibit numbered 205 for Identification? A. It was determined from the fact that the final consideration paid by Hutchinson to Beyer was \$155,500, and the additional fact that the agreement or the option obtained by Hutchinson and dated February 21, 1902 recited and acknowledged certain previous payments

by Hutchinson, which previous payments were added to the \$155,500.

The previous payments were \$3,500 acknowledged as being paid on October 1, 1901, \$2,000 acknowledged as having been paid on January 9th of 1902, and \$30,000 acknowledged as having been paid on October 21, 1902.

That agreement provided the option was to run until January 1, 1903 and could be extended to January 1, 1904 by the payment of an additional ten thousand dollars, and since the agreement was extended it is our belief that that ten thousand [8454] dollars was paid.

The total of those give an amount of \$201,000, which I think is properly described as being at least the amount that was paid. I don't think it necessarily follows that was all that was paid.

Q. Did you find any evidence of any additional payments over and above the \$201,000? A. No, we didn't find any evidence of any other payment, but I don't think we can assume that because we didn't find the evidence that that represented the complete payment. I think the most we can say is that the payment was not less than that amount.

Q. Mr. Gunn, since you mentioned Hutchinson's agreement dated February 21, 1902 I show it to you at this time.

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(Thereupon, the document referred to was marked Exhibit No. 206 for Identification.)

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By MR. HALL:

Q. Do you recognize that as being the agreement of February 21, 1902 to which you referred, Mr. Gunn? [8455]
A. Yes, sir.

Q. At this time, Mr. Gunn, I show you an agreement dated April 4, 1904. Is that the option agreement under which the properties were finally transferred, under which

the Vork Furnace properties were finally transferred to Hutchinson? A. Yes, sir.

MR. HALL: Mr. Examiner, may we have the agreement dated April 4, 1904, between Cary T. Hutchinson and George B. Willson and Wm. F. Beyer, marked for identification as Exhibit No. 207?

TRIAL EXAMINER: Yes, the document may be so marked.

(Thereupon, the document referred to was marked Exhibit No. 207 for Identification.)

[8457] Q. Mr. Gunn, I show you at this time an estimate of the cost of construction of McCall Ferry Power Company dated December 18, 1905, and prepared by Cary T. Hutchinson. Are you familiar with that document? A. Not at the moment. I believe I have seen it before. It was some years ago.

Q. This document was prepared after the transaction whereby Hutchinson transferred the lands to McCall Ferry through Susquehanna Power Company—right? A. Its date would indicate that.

[8458] (Thereupon, the document referred to was marked Exhibit No. 208 for Identification.)

[8460] By MR. HALL:

Q. Mr. Gunn, I show you a letter dated October 3, 1906, written by Cary T. Hutchinson, Chief Engineer, to J. W. Kirkland, Vice President and General Manager of McCall Ferry Power Company, and which letter was copied from file number 3951-12. Are you familiar with that letter? A. I can't tell you offhand without reading it, Mr. Hall. Do you wish me to read it?

I could say this much: It evidently having come from the company's files I was at one time familiar with it, I

believe. I can't state that is a fact without reading the letter, obviously.

(The document referred to was marked as Exhibit Number 209 for Identification.)

[8461] By Mr. HALL:

Q. Mr. Gunn, I show you at this time a letter signed by J. W. Kirkland, General Manager, and Cary T. Hutchinson, Chief Engineer, addressed to H. F. Dimock, President of McCall Ferry Power Company, which letter is dated May 8, 1907, and which was copied from company file number 3951-13. [8462] Did you consider that letter in connection with your original cost study?

THE WITNESS: Yes, sir, I believe so. I believe that letter affords some of the support for statements made in Exhibit 26 which are not in Exhibit 27 but in the 15 filing cases.

By Mr. HALL:

Q. Mr. Gunn, in Exhibits 208 and 209 the Harlow-McGaw purchase is shown in an amount of \$425,000, whereas in Exhibit 210 that purchase is shown in an amount of \$435,000. What does the 10,000 difference represent, if you know? A. I don't know. As a matter of fact, neither of these exhibits seems to me to have very much significance because they are simply letters pulled out of context and the purpose for which they were written is not disclosed. We can only speculate as to what Hutchinson was asked for when he gave these letters.

Q. Doesn't the \$10,000 difference that I referred to represent the \$10,000 paid to Pullen? [8463] A. It may be. You can speculate that way, at least.

(The document referred to was marked for identification as Exhibit Number 210.)

[8464] Q. Mr. Gunn, have you included in the original cost claim an amount of \$130.99 representing the difference between the petty cash funds reported on the books of McCall Ferry at July 17, 1909, and the amount turned over to J. E. Aldred, Receiver, as of that date?

[8465] THE WITNESS: I recall we included an amount of \$130 and some odd cents. I don't remember whether it was 99 cents or not.

By MR. HALL:

Q. Do you have a record of the expenditures made which comprise the total of \$130.99? A. It is undoubtedly in the company's books which have been available to the Commission staff for the last two-and-a-half years, but I don't have it before me.

Q. Do you know over what period the money was spent? A. No, sir, I don't recall.

Q. Are you sure of that, Mr. Gunn, that the details of this amount are in the books? A. Well, I don't know. I assume they kept books. I assume there are some books somewhere or the Commission staff wouldn't have discovered it. At least there are figures in the books from which you derive the difference. That is, of course, what we are talking about. Presumably the \$130 disappeared somewhere.

[8468] Q. Have you included in Penn Water's claimed original cost two amounts, one of \$21,341.94, and the other of \$6,535.01 representing loss of inventories?

MR. KING: Mr. Hall, one of the figures to which you referred in your question was \$6,535.01. Is that right?

MR. HALL: Yes.

MR. KING: I would like to state that that is an item which, on advice of counsel, the company now agrees to eliminate.

MR. HALL: That statement, I take it, does not apply to the amount of \$21,341.94?

MR. HALL: Mr. Gunn, please consider my question as now relating only to the \$21,341.94.

THE WITNESS: Yes, sir. I am doing that.

THE WITNESS: It is my understanding, Mr. Hall, that we have not claimed that amount, but we have claimed approximately [8469] \$13,000 of it. The difference between the two figures, as I understand it, is because of some accounting adjustment. The \$13,000 we have claimed is made up of miscellaneous loss of materials and supplies, amounting to \$4,062, and a write-down in the value of cement due to spoilage of \$8,970. The total of those two is approximately \$13,000.

By MR. HALL:

Q. Would you explain in just a little more detail, Mr. Gunn, what the two amounts of \$4,062 and \$8,970 represent?

[8470] THE WITNESS: * * * If I may attempt to clarify it this way, Mr. Hall: I do not recognize the figure of \$21,341.94. However, the company did, in its original claim, have an amount of 19 thousand and some odd dollars, I believe. As company counsel just stated, the company was conceding \$6,535.01, of that \$19,635.01, which reduces the company's claim to about \$13,000.

Now, the figures which make up the \$13,000 are a miscellaneous loss of supplies unaccounted for in an inventory, details of which I don't have before me, amounting to

\$4,062, together with an amount of \$8,970 which represents the write-down in the value of cement due to spoilage.

By MR. HALL:

Q. Mr. Gunn, is this the fact: That the \$21,341.94 represents the difference between the inventory of \$35,019.16 on the McCall Ferry books at July 17, 1909, and the lesser amount of inventory subsequently entered on the books of the receiver and Penn Water after the receiver made the adjustments?

THE WITNESS: I can't answer, Mr. Hall, for the reason [8471] I don't know. It is my understanding that after Penn Water finally made all of their accounting adjustments incidental to this transaction that they wound up with an amount of about \$13,000 with respect to this item, that amount being made up of the two items I described.

TRIAL EXAMINER: Where is counsel getting these figures?

MR. HALL: I got my figures from the working papers of the Commission's accountant, Mr. Examiner.

TRIAL EXAMINER: They can't be related to any—

MR. GOLDBERG: Can not be related to any document in evidence, if that is what you mean.

TRIAL EXAMINER: Or any document marked for identification.

MR. HALL: That is right.

MR. GOLDBERG: I might add this, for the sake of clarification, Mr. Examiner: Mr. Newlands' analysis is an analysis of the company's books. The figures we are discussing not being on the company's books would not be reflected in his analysis which is carried through in Exhibit '51. It is an amount which the company added on, and we would have to go into their

working papers to get the details. They didn't spread it out any place.

By Mr. HALL:

Q. Mr. Gunn, do you know the details of the amount of \$4,062, which represents miscellaneous loss of supplies? [8472] A. I do not have that before me.

Q. Do you have any details concerning the amount of \$8,970 to which you referred? A. There were no details back of that. It was just simply a loss of cement due to spoilage. I have no more details than are set forth, I believe, in Exhibit 51. At least I don't have any more before me at the moment.

Q. Do you have the details of the inventory comprising the amount of \$35,019.16? A. Not before me, no.

Q. Are they available to you through any of your assistants? A. No, sir. All the details back of that item were in the company's records at Baltimore and I don't know offhand just what the nature of the detail is.

Q. Mr. Gunn, isn't it a fact there is no inventory of the McCall Ferry materials and supplies at July 17, 1909? A. As I said, I don't know. What information there is concerning that item is in the company's records and has been available to the Commission staff for the last two-and-a-half years, so presumably they know. I don't recall.

Q. I am advised, Mr. Gunn, there is none. Do you agree? A. I will have to, not knowing myself whether or not there are any.

[8473] Q. Mr. Gunn, is it your understanding that the loss in inventories which you have capitalized is entirely due to deterioration during the period of cessation? A. No. I think most of the cement spoilage may have been due to that, but the loss of inventory, I don't know when that occurred. Presumably that was an accumulative figure, that is the miscellaneous loss of inventory represented by the \$4,062.

I could say this, Mr. Hall: For a project of that size, the total of the figure, whether it be 4,000, 6,000, 19,000,

21,000 or 36,000, is an astonishingly small loss for a project of that magnitude. I have been through several construction projects and I never have come through with as small a loss as that in my experience.

Q. Are you familiar with the inventory prepared by C. B. Vorce on December 31, 1908? A. No, I am not personally familiar with it. I don't recall ever having looked at it in detail.

Q. Do you know how many barrels of cement McCall Ferry had on hand on July 8, 1909? A. It seems to me it was around eight or nine thousand.

Q. Mr. Gunn, I show you a letter dated July 8, 1909, written by J. W. Young to J. E. Aldred, which was copied from J. E. Aldred, Receiver file number 9, and I refer you specifically to the third paragraph from the bottom of page 2.

[8474] Does that help to refresh your recollection as to the amount of cement on hand as of July 8, 1909?

THE WITNESS: Yes, it would appear from that paragraph on that date there were 30,000 barrels of cement on hand. I believe the figure of eight or nine thousand I mentioned was probably the part of that 30,000 barrels which had undergone deterioration, perhaps.

By MR. HALL:

Q. How many barrels of cement did the receiver set up on his records? A. I don't recall.

Q. My information is 7,851½ barrels of Giant and Atlas Cement.

Does that help you refresh your recollection? A. Yes, sir, I believe that is correct, Mr. Hall.

TRIAL EXAMINER: Upon what is your belief based?

THE WITNESS: Based upon Mr. Hall's question and upon a working paper shown to me by one of my assistants. The two figures agree, the one Mr. Hall used and the one shown me from the company's records.

TRIAL EXAMINER: When you say that letter of July 8, 1909, refreshed your recollection, is that the source of your previous information as to how many barrels were on hand?

[8475] **THE WITNESS:** One source of certain information, Mr. Examiner, but this situation about the cement as it came over from McCall Ferry to the receiver and on to Pennsylvania Water and Power Company is extremely confused. We have never been able to get together enough information to tell precisely what did happen to all the cement.

The question Mr. Hall asked me was did this letter refresh my recollection as to how much cement was on hand on July 8, 1909. The letter is a letter written by Mr. J. W. Young, who was Vice President of McCall Ferry Power Company to Mr. Aldred; and which states that there are at present approximately 30,000 barrels of cement made up of—

TRIAL EXAMINER: Actually your recollection was not refreshed at all. You are accepting the letter's statement; is that right?

THE WITNESS: I think that is correct, sir. As a matter of fact, that is all I can do with any of these things related to original cost, simply accept what can be deduced from the documents. I have no first-hand information on any of it, of which this document is one which enters into the cement confusion.

TRIAL EXAMINER: Well, the cement confusion is based upon the absence of accurate records, and the existence of conflicting data as to the actual number of barrels on hand; isn't that so?

THE WITNESS: Yes, sir, I think that is a correct statement.

[8476] **TRIAL EXAMINER:** The number of barrels on hand as being 30,000, you do not know whether or not there were 30,000?

THE WITNESS: No, I don't know any more than what Mr. Young states.

TRIAL EXAMINER: You do know there are figures which conflict with the 30,000.

THE WITNESS: Yes, sir, I know that.

TRIAL EXAMINER: And those figures are to be found in other correspondence or records of McCall Ferry Power Company which Pennsylvania Water and Power Company now has.

THE WITNESS: Yes, sir. It is from those other records that the seven thousand-odd dollars entered on the Receiver's books were taken.

TRIAL EXAMINER: Do you remember whether you ever used the figure 30,000 for any purpose at all?

THE WITNESS: No, sir. I never used either one of the figures for any significant purpose. Whatever the cement cost was was reflected in the McCall Ferry cement cost and that was the end of it. I did not concern myself with how many barrels more or less there were.

By MR. HALL:

Q. Are we to understand you did not use the available data, Mr. Gunn, as to the amount of cement on hand in reaching the amount of \$13,032 which you now claim? A. No, I believe I used the records of the Receiver in [8477] reaching that amount. It is true that in those records barrels of cement are mentioned, but as I recall it it is not 30,000 barrels mentioned but 7,000 barrels.

Q. What happened to the difference between the 7,851 and a half barrels of cement set up by the Receiver in his records and the 30,000 barrels of cement reported by Mr. Young in his letter? A. I have no idea.

Q. Didn't you try to account for that difference in reaching your conclusions as to the amount to be included in your claimed cost? A. No, there was no occasion for me to do that, Mr. Hall. I was not attempting to bring a

case against somebody having stolen the cement. I was just attempting to find the original cost, and therefore it was of no particular moment. If there were 30,000 barrels on hand, then those 30,000 barrels were reflected in McCall Ferry costs. If there weren't 30,000 barrels on hand then it didn't make any difference.

Q. Mr. Gunn, I show you a letter written by Mr. J. A. Walls, Chief Engineer, to Mr. C. E. F. Clark, Treasurer of Pennsylvania Water and Power Company, which is dated September 9, 1910?

Did you consider the information on the second page of that letter in arriving at your claimed cost? A. You mean that information relating to the barrels of [8478] cement?

Q. Yes. A. No, as I said, there was no necessity for my going into the barrels of cement other than as they were recorded on the books. Mr. Walls wrote this letter at a time when he knew what had been recorded on the books, and I assumed he had all the facts. If you want me to read the letter and go into that I will be glad to.

[8479] By MR. HALL:

Q. Isn't there a notation on the letter that the 7,000 should be 27,000? A. No, sir. There is a notation on the letter which states as follows:

"Apparently this should read 27,000." The initials appearing under that are R. W. C. and that note is dated October 3, 1944. That is a note of Mr. Chase.

Q. Do I understand you did not agree with Mr. Chase in that respect? A. I don't agree or disagree with him. I am simply saying that note you find on the piece of paper is not a note put there by Mr. Walls in 1910 but a note put there by Mr. Chase in 1944, and it is speculation of Mr. Chase's, as is evident from the beginning of the sentence with the word "apparently."

Q. Mr. Gunn, I show you at this time an eight-line letter which Mr. Walls wrote to C. E. F. Clarke, Treasurer

of Pennsylvania Water and Power Company, on September 8, 1910. Does that assist you in determining the amount of cement on hand as of that date?

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[8482] By MR. HALL:

Q. Was any of that Union Cement, Mr. Gunn? A. I don't recall whether or not it was. I should say there were 75 or 100 thousand barrels bought during that time.

Q. Don't you know none of that was Union cement?
A. No, I don't know what sort of cement it was.

MR. HALL: Mr. Examiner, may we have marked for identification as Exhibit 211, the letter dated September 8, 1910, written by Mr. J. A. Walls, Chief Engineer, to Mr. C. E. F. Clarke, Treasurer, Pennsylvania Water and Power Company?

TRIAL EXAMINER: Yes, the document may be so marked.

(Thereupon, the document referred to was marked Exhibit No. 211 for Identification.)

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[8483] MR. HALL: Mr. Examiner, may we also have marked for identification as Exhibit No. 212 the letter dated September 9, 1910, written by Mr. J. A. Walls, Chief Engineer, to Mr. C. E. F. Clarke, Treasurer, Pennsylvania Water and Power Company?

TRIAL EXAMINER: Yes, the document may be so marked.

(Thereupon, the document referred to was marked Exhibit No. 212 for Identification.)

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[8484] By MR. HALL:

Q. Was there any construction work going on at McCall Ferry during the period December 31, 1908, to July 8, 1909, which required the use of cement, Mr. Gunn? A. No.

Q. Was there any construction work going on during the period between July 8, 1909 and September, 1909, which required the use of cement? A. At the beginning or the end of September?

Q. The beginning. A. I can't state with certainty, Mr. Hall, but I suspect there was because Empire Engineering resumed construction about the middle of August 1909, and among their first work it required the placing of concrete and therefore the use of cement. Just how much they would have used during that period I couldn't say.

Q. Do you think they would have used as much as 23,000 barrels? A. No, I shouldn't think they would use that much.

Q. Just how much do you think they would have used? A. I don't know, but I wouldn't expect them to use that large an amount.

Q. Mr. Gunn, can you account for the 30,000 recorded by Mr. Young on July 8, 1909, and the 7,851-½ barrels set up by the receiver on September 29, 1909? [8485] A. I don't know whether I could or not. I never undertook to do that, Mr. Hall, because, as I said, it had no significance whatever in the determination of original cost.

[8518] MR. KING: May I interrupt you, Mr. Hall?

MR. HALL: Yes.

MR. KING: You asked me at the conclusion of yesterday's hearing at page 8516 as to the status of the request you had theretofore made at page 7579 of the transcript.

MR. HALL: Yes.

MR. KING: That request was for us to produce the documents attached to Mr. Fisk's affidavit and bearing his initials.

I herewith hand you those documents.

[8537] By MR. HALL:

Q. Mr. Gunn, is the purpose of flashboards on the Holtwood dam to increase the head? A. Yes, sir, under certain circumstances, and decrease it under other circumstances.

Q. What benefit does Penn Water derive from the use of flashboards on the Holtwood dam? A. A greater head on the Holtwood dam.

Q. Will you explain what a greater head means in way of benefit to Penn Water? [8538] A. It makes it possible under certain circumstances for Penn Water to generate more power.

Q. And more power means more income to Penn Water—right? A. Depends on the contract under which Penn Water sells its output. Presently it means less.

Q. Will you describe the present flashboard arrangement on the Holtwood dam? A. The flashboard presently used on the Holtwood dam is supported by various combinations of single pipes and pipes within pipes for the purpose of creating under certain circumstances a maximum increase in head on a Holtwood plant of 4 foot 9 inches. The flashboards are made up in sections 3 feet high and one foot 9 inches high, and when there is a total height of 4 foot 9 inch flashboards on the dam, the combination of pins used to support them are such that they will collapse at a stream flow of about 70,000 cubic feet per second over the dam.

When it is possible to foresee a high flow coming it is the company's practice to remove the upper one foot 9 inches, thus leaving three-foot flashboards on the dam, and they collapse at a much greater flow over the dam. The reason for that maneuver is to save both the lower 3 foot of flashboards, the pins supporting them, and to gain the advantage for the maximum length of time of the 3 foot [8539] additional head created by those flashboards on the plant.

Q. So that the flashboards remain on the dam until destroyed—right? A. Except for the upper 1 foot 9 inches which are removed when it is possible to predict with sufficient accuracy increases of flood of a certain magnitude. That is one of the reasons why it is so necessary for the company to have the best available information on what the floods will be.

Q. How long has Penn Water utilized flashboards on the dam? A. You mean the present flashboards?

Q. No. A. Flashboards of any sort?

Q. Yes. Weren't they originally installed in 1911? A. Yes, sir, they began experimenting. As a matter of fact, they started in July of 1911 drilling holes for the flashboard sockets and that was on July 26. On July 31, one of the landowners on the reservoir got an injunction against the company against using flashboards and it was not until August 26 that that injunction was dissolved.

Then they put up some flashboards with solid pins under them and I believe in about 1914 or some time about then they got in trouble with another court proceeding and had to take the flashboard down again. There have been court [8540] proceedings and flashboards ever since.

Q. What was the cost of the initial flashboard installation in 1911? A. I don't recall.

Q. Do you know whether or not that initial expenditure was charged to the plant account on the books? A. I believe it was. It should have been, at least.

Q. Have any subsequent expenditures in connection with flashboards been charged to the plant account on the books?

* * * *

THE WITNESS: Yes, sir, a very substantial amount of experimentation has been charged since that date, including the investigation of the roller dam we discussed the other day and some rather extensive pioneering development work in developing the form of support for flashboards which would give a result equally satisfactory to the

landowners around the reservoir and the Pennsylvania Water and Power Resources Board.

Q. Pennsylvania Water and Power Resources Board?

A. What I mean to say, Mr. Hall, was the Water and Power Resources Board of the State of Pennsylvania.

Q. Will you describe the support which was finally developed?

A. The support which was finally developed varies with [8541] the combination of boards that are on the dam, but when 4 foot 9 inch boards are on, alternate supports, as I recall, are single seamless tubes, the specifications for which I don't recall offhand, that is the specification as to the size of wall thickness. Between each one of those single tubes is a support consisting of two tubes, one inside the other and welded together. I don't remember the precise specification for those tubes.

However, that is the combination which gives the most certain failure of the flashboards and thus lays the company liable to the least trouble with the landowners as a result of backwater in case of high flow.

The reason for using the tubes was the outcome of extensive investigations on the part of the company, and the establishment of the fact that a seamless tube, or a tube of any sort, when it fails will fail most completely of any other structural section, and thus will most completely relieve the crest of the dam from any obstruction to the continuing increase in the flow of the river.

Q. Is that the chief change made in the flashboards?

A. You mean during this period of years?

Q. Yes. A. Well, in flashboards as such, I believe, but during that period of years the company tried flashboards supported by pins, they investigated the use of a roller dam [8542] on top of the present dam, they used what they call butterfly gates which were some flashboards hinged by the ends and supported on permanent pins, and then after that they used flashboards of the present collapsible type supported by solid steel pins which were machined at the point on the pin which rested at the top of the

sockets with the hope that that would bring about a pre-determinable failure, and then in about 1921 the company finally developed the combination of seamless tube and pipe then available which would make practicable the present type of flashboards.

Q. So the principal change has been in the support used for the flashboards? A. No, I wouldn't say so, Mr. Hall.

First we attempted to use a collapsible type of flash-board. Then the company investigated the use of a roller dam. That was a very great change. From the roller dam they progressed to the idea of butterfly gates, which bears no similarity at all to present flashboards. Then from the butterfly gates they finally developed the present flashboard. So the change has been very radical and very wide.

Q. As far as the flashboards actually tried out, the principal change always has been in the support, in the type of support? A. What do you mean by "flashboards" in that question, Mr. Hall?

[8543] Q. The same thing which was initially installed. A. Does your definition of "flashboards" include the butterfly gates, for example?

Q. Did they install the butterfly gates? A. Certainly.

Q. Then it would include the butterfly gates.

THE WITNESS: Now may I have the question?

(Question read.)

THE WITNESS: The answer to that question is No.

By **MR. HALL:**

Q. Are the pins presently in use destroyed every time the flashboards go out? A. Only half-destroyed ordinarily. What happens is that the pins are about 6 or $6\frac{1}{2}$ feet long, and there are about 12, 14 or 16 inches of them in the sockets. When the flashboards fail that 12, 14, or 16 inches bend to at least a 90 degree angle or more. Then

when the flashboards are reinstalled the other end of the pin is stuck in the socket and it bends again on the other end. So with each failure of the flashboards I guess you would say the pin is a half of the failure.

Q. In other words, the pins are used twice. A. Yes, sir.

Q. What other important improvements, other than the support, exists in the present flashboard over the flashboard [8544] installation made in 1911 and 1912? A. I don't recall precisely what the details of the 1911 and 1912 flashboards were, Mr. Hall. Therefore I couldn't answer that question.

Q. Have turbine units numbers 6 to 10 been designed to make use of the additional head obtained by the use of the flashboards? A. Yes, I think that is right. I think all the turbines have been designed to make use of it. In any event they are making use of it, designed or not designed.

Q. Were the first five units designed for the use of increased head through the use of flashboards? A. Certainly. We are using them, aren't we, for increased head? Therefore it proves they were designed for it, no matter what may have been in the mind of the designer. That is only of academic interest.

Q. Did you capitalize the renewal of flashboards during the year 1945? A. Not so far as I know. If we did it was an error.

Q. You charged them to operating expenses. A. Surely. It is my understanding we have charged them to operating expenses ever since 1921.

Q. How much did Penn Water spend for flashboard renewal made in 1945? A. I don't know offhand, Mr. Hall. The company's [8545] operating statement would show it but I don't have it before me.

Q. Mr. Gunn, would you please describe briefly the fishways which are constructed at Holtwood? A. Which fishways?

Q. Both shores, on the York shore and the one on the Lancaster shore. A. I take it you mean which were constructed.

Q. Yes. A. Well, the outstanding feature of the design is that none of them ever worked. But the one on the east shore was a winding concrete structure from the east shore bulkhead down to the tailrace which had wooden baffles in it, and to which water could be admitted so as to make in effect a series of steps, and it was supposed, by the fishermen and the Pennsylvania Fish Commission, that the shad would jump from one step to another, or, so to speak, they would jump up the stairs, but they didn't do it. Then the fishermen supposed we ought to have another fish ladder. We went to the remaining shore, the west shore, and cut a channel down through the rock over on the hillside and built a concrete wall between that and allowed water to flow from the upstream side of the dam down through this rough rock channel we cut, and again the fishermen and the Fish Commission thought the shad would walk up that, but they didn't. So that is about all there is to the fishway.

[8546] Incidentally, all the fishways were installed as a result of the injunction brought against McCall Ferry Power Company, the decision on which specified two things: 1, that the company should install fishways satisfactory to the Pennsylvania Fish Commission and fishways that the fish would use. The company installed fishways satisfactory to the Fish Commission but they never succeeded in making the fish use them.

Q. In other words, the fishways are not in use at the present time. A. The fishways never were in use by the fish at least. They only satisfied the Court order. That they did in complete fashion, I understand.

Q. And so far as you know they never will be used in the future—right? A. You mean for the fish?

Q. As fishways. A. No, Conowingo built a dam down below and cut the shad off. In lieu of building any

more of those fishways that the fish wouldn't use, Conowingo, and I know Safe Harbor, worked out an arrangement with the Pennsylvania Fish Commission whereby they would pay an annual amount each year in perpetuity for stocking the pond so that the fishermen would have fish.

MR. KING: May I point out to your Honor that the order of the Court the witness has just referred to is Part 35 of Exhibit 27?

[8547] By MR. HALL:

Q. Do you know the total cost of those fishways? A. I don't know.

Q. Was it \$64,000? A. That sounds like about the right figure.

Q. In what account have you classified the \$64,004.61?

THE WITNESS: As I recall, Mr. Hall, it was classified in Account 302, but that was a rather difficult conclusion to reach because it seemed to me you could put it in 303 just as well.

By MR. HALL:

Q. How about 322, Reservoir, Dams and Waterways? A. No, I don't think you ought to put it there at all.

Q. Why not? A. The reason is that it was compliance with the Court order and was a condition precedent to permit us to build the dam. It is a franchise or intangible. It is nothing physical, certainly.

Q. Wasn't the entire dam in compliance with Court order? A. No. All the Court order specified was that as a condition precedent to building the dam we had to provide one of these things for the fish to walk over.

[8548] Q. So that the construction of the whole dam had to comply with the order of the Court—right? A. No, sir, the Court had nothing to do with the construction of the dam except to make the fishway a condition precedent to it.

Q. Will you refer to page 62 of the system of accounts, Mr. Gunn, particularly to Account 322? A. Yes, sir.

Q. Certain numbered items are there listed? A. Yes, sir.

Q. Do you know why those items are so listed? A. As indicative of the scope of the account, I suppose.

Q. Would you look at item number 3? A. Yes, sir.

Q. Do the fishways come under the word "Fish Ladders"? A. Not these fish ladders.

Q. Why not? A. Because these fishways are intangible and were installed as a condition precedent to building the dam under a franchise right, or of that character. They are certainly not physical property as that contemplates.

If the fishways had been used for the fish and the company was still maintaining them and they were performing as [8549] good a function as the fishways at Bonneville are said to perform, then you can put them in Account 322. But these are not that sort of fishways. The fish wouldn't use them and therefore they are intangible costs, costs made necessary to acquire the company's right to build the dam.

Q. Are you saying that they became intangible because of non-use by the fish? A. No, because of the Court order.

Q. Did the Court order the fish not to use those fishways? A. The Court ordered the fish to use it but the fish wouldn't do it.

By MR. HALL:

Q. Do you have Exhibit 25 before you, Mr. Gunn? A. Yes, sir.

[8550] Q. Isn't the entire amount of the fishways shown in Account 302 in the amount of \$64,004.61? A. Yes, sir, I understand that is correct. In other words, the only cost of the whole Holtwood project in the nature of franchises and consents was the fishway.

Q. Would you please identify Mr. Bushong for the record? A. Mr. Bushong was for many years Pennsylvania Water and Power Company's land agent or, I believe, Mr. Bortner's predecessor.

Q. What was Mr. Bushong by profession? A. I really don't know, Mr. Hail. I knew very little about Mr. Bushong. As a matter of fact, I don't recall that I ever met the gentleman.

Q. What had been Mr. Bushong's experience before joining Penn Water? A. I don't know.

Q. What were the exact duties of Mr. Bushong and his activities in connection with Penn Water? A. I don't know. All I know is that his duties were in connection with the acquisition of land.

Q. Where was Mr. Bushong located while in the employ of Penn Water? A. In Lancaster, or in the vicinity of Lancaster, I understand.

Q. What was the nature of the promotion work Mr. Bushong [8551] did for Holtwood Power Company? A. Mr. Bushong was given the responsibility of setting up a plan of procedure in respect to the corporate organization and status of the company to have the chartered powers of producing steam generated energy, it being understood that the company would be subsidiary to Pennsylvania Water and Power Company. This, I believe, was in the early part of 1924. Mr. Bushong, with the assistance of Mr. Malone and others, prepared such a plan and gave consideration to the type of contract which would be entered into between the new company and Penn Water. He followed through the organization of the company and obtained such approvals as were necessary from the Pennsylvania Public Service Commission.

Mr. Zimmerman assisted Mr. Bushong in Mr. Malone's place while Mr. Malone was absent from Lancaster.

Q. What is your last answer based upon, Mr. Gunn? A. Based upon information given to me by Mr. Bortner.

By MR. HALL:

Q. What do you mean, Mr. Gunn, when you say Mr. Bushong obtained the approval from the Pennsylvania Commission? A. All the approvals that were necessary in connection with the setting up of Holtwood Power Company.

Q. Precisely what did he do? [8552] A. I can't enumerate all of the details of what he did. I don't have that information.

Q. Can't you give us some of the details?

THE WITNESS: Well, for one thing they had to obtain from the State of Pennsylvania a charter for the company. Another thing, they had to obtain from the Public Service Commission of Pennsylvania what I believe they call a certificate of public convenience or something, in any event, the right for a public utility to do business in the State of Pennsylvania.

Q. Aren't those duties usually performed by attorneys? A. Well, Mr. Malone was an attorney and Mr. Zimmerman was an attorney, and they both worked with Mr. Bushong.

Q. What did Mr. Bushong do in connection with the obtaining of a certificate of convenience and necessity and the charter? A. Did just what I said he did, and that is about all I know about it.

Q. What do you mean when you say Mr. Bushong obtained a charter and the certificate of convenience and necessity? A. I mean that he, together with the lawyers, obtained it. That is all I know.

Q. By what process did Mr. Bushong obtain it? A. I don't know. The same way I would, I guess, if I [8553] undertook to do it—go up and ask them for it.

Q. What would you do in that connection? A. I would go up and tell the Public Service Commission what I wanted to do and ask them for a certificate.

Q. Did Bushong do that? A. I don't know. I suppose he did. They must have gotten that idea across to him somehow.

Q. Why didn't the lawyers, Mr. Malone and Mr. Zimmerman, do that? A. Don't ask me. I don't know.

Q. Had Mr. Bushong ever held any political office in Pennsylvania? A. I don't know.

Q. As a matter of fact, you don't know exactly what Mr. Bushong did do, isn't that so? A. That is what I told you when you started on this line of cross-examination.

Q. Did Mr. Bushong prepare the charter? A. I don't know.

Q. Did he prepare the application for a certificate of convenience and necessity? A. As a matter of fact, I don't know. I never saw either one of those documents. I assume he did, or assisted in it, certainly.

Q. When did Mr. Bushong first come into the employ of [8554] Penn Water? A. About 1912. At that time I believe he was more or less serving in a minor capacity performing certain functions in connection with the acquisition of lands.

If you recall, he first worked for a while, I believe, with Penn Water, and then when it was decided that the Lancaster Company would build a 25-cycle line from Holtwood to Lancaster I believe he worked for the Lancaster Company in connection with the acquisition of the right of way for that land. Then at some later date, I don't remember just when, he came back into the employ of Penn Water.

Q. Did Penn Water have an office in Lancaster? A. When?

Q. During the time Mr. Bushong was employed? A. Part of the time they did, I understand.

Q. Where was it located? Do you know? A. It was in the Woolworth Building for a considerable period of time.

Q. Was that office listed under the name of Penn Water? A. What do you mean by "listed," Mr. Hall?

Q. Was it listed in the telephone directory; was it listed on the door? A. I understand it was listed both ways, in the telephone directory as Pennsylvania Water and Power Company, and I [8555] think on the door Mr. Bushong's name appeared.

Q. How many employees did Penn Water have in Lancaster besides Bushong? A. I don't know.

Q. Did they have any? A. I think they did.

Q. Who were they? A. I think there was a stenographer or a clerk or so, or something like that. I really don't know very much about that, Mr. Hall.

Q. Did Mr. Bushong or Penn Water keep any record of Mr. Bushong's activities for the Holtwood Power Company, including the time spent and the services performed?

THE WITNESS: Well, so far as I know neither one of them ever kept a log of precisely how Mr. Bushong disposed of his time, but the records of Penn Water, of course, show the results of Mr. Bushong's work. It is my understanding that considerable information has been given to the Commission Staff in that connection by Mr. Bortner as compiled from the company's land records and from the company's files and from various other sources of information.

By MR. HALL:

Q. Over what period of time did Mr. Bushong perform his services for the Holtwood Power Company?

[8556] THE WITNESS: His services began in the latter part of 1923, I believe, and continued up through the organization of the company. I don't remember just what date that was.

By MR. HALL:

Q. What period of time did the charges cover? A. A period the duration of which I do not know, Mr. Hall. But as the company is now claiming the charges they were

all prior to August 16, 1925. If you will refer to Exhibit 204 and to Item 22 you will find that the company is now conceding, on advice of counsel, an amount of \$5,267.41 which represents payments and costs in connection with Bushong's services on the steam station which were incurred after August 16, 1925.

Q. Do you know what the amount of \$5,267.41 represents? A. It is my understanding that it represents Bushong's salary and his office expenses.

Q. When? A. After August 16, 1925.

Q. What activities was he performing as a result of which this \$5,267.41 was incurred? A. I really don't know. It doesn't seem to me it is of very much significance. We are not including it in the cost.

[8569] Q. When did Malone first become associated with Penn Water? A. About 1912, I understand.

Q. Do you have any record of services performed by Mr. Malone for Penn Water prior to 1924? A. Well, we have the company's files in which there is correspondence which indicates the character of some of the services, but I don't have any catalog of them, if that is what you are asking.

Q. Did Malone render an itemized statement to Penn Water of the work performed? A. I really don't know whether or not he did. If he did it has been available to the Commission Staff, attached to the [8570] voucher—available to the Commission Staff and attached to the voucher probably.

Q. Who made the distribution of Malone's retainer fee to the various operating expense and plant accounts during the years he was associated with the company as counsel? A. I don't know.

Q. Prior to 1924. A. I don't know, but I imagine it must have varied from time to time. By that I mean the person who made the distribution must have been

different from time to time during those years. But I really don't know.

Q. Does Penn Water have any records showing the basis of the distribution of Mr. Malone's salary prior to 1924? A. I really don't know whether they do or not. What the company has has been available to the Commission Staff for two and a half years.

Q. Will you accept my statement that you don't have that information? A. Yes, sir, if that is a fact I will accept it.

Q. Do you know whether or not it is a fact, Mr. Gunn? A. No, sir, I don't know whether or not it is a fact.

Q. Does Penn Water have any records showing the properties purchased by Mr. Malone, if any, and his fees associated therewith?

* * * * [8571] By Mr. HALL:

Q. What services did Simpson, Thacher and Bartlett perform for the one thousand dollar fee charges to Flowage Basin Account in 1915 on voucher No. 6892?

* * * * [8572] THE WITNESS: I don't know, Mr. Hall. That is one of the more than 50,000 vouchers I haven't memorized, or at least don't remember now.

Q. Mr. Gunn, I show you voucher which was copied from a letter attached to Penn Water voucher No. 6892, December, 1915. The voucher is dated December 20, 1915. Does that serve to refresh your recollection?

* * * * [8573] THE WITNESS: No, I can't say that it helps me, Mr. Hall.

By Mr. HALL:

Q. Do you recall why the one thousand dollars was charged to the flowage basin account? A. No. Naturally

I don't recall because I was not present when it was done. The reason it was left there was because in my determination—left there in my determination of original cost was because of the fact I believed the people who put it there knew more about it than I did, and I considered it to be attached to the legal services rendered in connection with that Woelpper injunction suit, and that was rather a complicated litigation which the company ultimately had to settle in order to obtain the right to use their flashboards.

Q. Didn't a Mr. Hensel, a local attorney, represent Penn Water in that case? A. I believe he was connected with it in a legal capacity at one time. So was Simpson, Thacher and Bartlett at one time, according to that bill you refreshed my recollection with.

Q. What part did Simpson, Thacher and Bartlett play in connection with the suit? A. I don't know any more than you see on that document, which is voucher number—

[8583] Q. Mr. Gunn, was Mr. Bushong a full-time employee of Penn Water? A. When?

Q. During the period that his charges are accrued in that period we were discussing this morning. A. We discussed all sorts of periods this morning.

Q. During the period that his expenses were claimed as part of Holtwood Power Company cost? A. I believe he was.

Q. How about 1911 to 1924? Was Mr. Bushong a full-time employee of Penn Water? A. I really don't know. There was a part of that time when he was not an employee at all, of course, that [8584] being the time he was working for the Lancaster Company on the purchase of the right of way for that 25-cycle transmission line. I really don't know what his status and basis of employment was during that period. I have the impression it varied from time to time.

[8590] Q. What services did Simpson, Thacher and Bartlett render in connection with the charge of \$3,975.53 to flowage basin in 1923?

[8591] THE WITNESS: I don't recall the transaction, Mr. Hall.

[8595] Q. Mr. Gunn, what was the nature of the river observations made by Penn Water during the period from 1911 to 1924 and charged to the flowage basin account? A. They were made in connection with the establishment of rating curves and water surface profiles for backwater data. These studies became basic original data useful in the acquisition of properties and also in the operation of the plant. The data required could be obtained only by checking up on the Susquehanna River and its tributaries in the Holtwood area under varying flow conditions. This probably led to the use of the title "River Observation" which, in my opinion, does not properly describe the work performed.

Q. What title did you use, Mr. Gunn? A. Did I use?

Q. Yes. A. I didn't have any occasion to use any title at all. I simply described what the work was.

Q. How would you describe the work? A. Just the way I finished describing it.

[8596] Q. What title would you substitute for river observations? A. If I would substitute one I would substitute the description I gave you. I don't see any reason for characterizing it so long as you know what it is.

Q. Does Penn Water have a record of the nature of each river observation, the date the observation was made, and the purpose of the observation? A. I really don't know. I haven't had any occasion to determine whether they have that record or not. They have the results of all the observations, but as to the date on which they were made and those details I don't know whether or not they have them.

Q. Do you have the costs associated with those river observations? A. Yes, sir.

Q. With each observation? A. No, certainly not. I have the total cost of them.

Q. How did the observations aid in the operation of the Holtwood plant? A. It gave the company knowledge of what would be the consequences of not doing enough experimenting to be able to predict with certainty the point at which the flashboards would fail, and thus avoid becoming entangled with the landowners and get more lawsuits on their hands. It goes back to the [8597] simple justification for doing the experimental work they did in connection with the flashboards we covered this morning.

Q. What was the nature of the work done by the persons whose time and expenses were charged to flowage basin sub-account 6, 6-E, and 6-L during the period from 1911 to 1924? A. Mr. Hall, are you referring to the Item 3 on Exhibit 204, or are you referring to something else?

Q. That is the item, Mr. Gunn. A. That item covers an allocation of engineering salaries and expense and the portion charged to the flowage basin account represents engineering work related to property acquisitions. I believe that in general it covers property survey, topographic surveys, setting of monuments on property corners, making of record drawings, studies for the relocation of roads and bridges, establishment of permanent bench marks, and other engineering field work.

Q. You stated that you believed it represented those various things. Do you know it to be a fact that the charge does represent those things? A. Yes, I believe it can be established with certainty.

Q. Do you know it to be a fact? A. Have I personally investigated it?

Q. Yes. A. No, sir. Mr. Bortner did that. I couldn't do everything personally, Mr. Hall.

[8598] Q. Do you have the cost associated with the various items you mentioned? A. No. As a matter of fact, it

would be impossible to keep the cost that way, even for an accountant to do it.

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By MR. HALL:

Q. Does Penn Water have time slips and other payroll data showing the amount of time spent by each of the persons whose salary is charged to the flowage basin sub-account 6 and 6-L, the nature of the work performed and the expenses [8599] associated therewith? A. No.

Q. Has the company been able to segregate any specific charges to sub-accounts 6, 6-E and 6-L, or the associated accounts 6-N, 6-O and 6-P, as representing the cost of surveying specific properties? A. No.

Q. Has the company made an investigation to determine when each property was first surveyed and the date and extent of the subsequent surveys?

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THE WITNESS: I don't believe I understand your question, Mr. Hall. Could you break it down into two pieces? I don't understand the first-surveyed and second-surveyed business you have in the question.

By MR. HALL:

Q. Has the property been surveyed more than once? A. I really don't know. Mr. Bortner is responsible for that work and he would have to supply that detail.

Q. Mr. Gunn, when you mentioned a while ago topographical surveys what did that cover? A. Covered just that, topographical survey.

TRIAL EXAMINER: That is to determine the water levels at various stages, in other words, to determine what the outline [8600] of the basin would be at various stages.

THE WITNESS: Yes.

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By MR. HALL:

Q. Mr. Gunn, did Penn Water bring suit against the Susquehanna Power Company in 1925 in connection with the plans of the Susquehanna Power Company to build a dam at Conowingo on the Susquehanna River? A. Well, there was a suit. I don't recall who brought it.

Q. What was the nature of the controversy between the two companies? A. The Conowingo Company was attempting to infringe Penn Water's water power rights.

Q. In what respect? A. By flooding them into the Penn Water's tailrace.

Q. How was that controversy settled? A. It was settled as a result of Penn Water's having established the validity of their water power rights, and as [8601] a result of that the litigation was set aside or held in abeyance or something and Penn Water entered—and Penn Water and Susquehanna Power Company entered into an agreement whereby Susquehanna Power Company would flood back into the Holtwood Company's tailrace to the elevation 108, I believe, 108.5.

Q. Did Penn Water give up any of its land or flowage rights or claim to land or flowage rights to Susquehanna Power Company or its associates in that settlement?

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THE WITNESS: No, I don't think you could properly say they gave up any. I think you might say they leased them to the Conowingo Company. I believe that would be a more proper description of the transaction.

By MR. HALL:

Q. As far as claims for land is concerned, a status quo was maintained for the term of the contract—right?

• • •

[8602] THE WITNESS: What do you mean by "status quo"? I don't understand the question in the first place.

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By Mr. HALL:

Q. No one transferred any lands or no one gave up any rights? A. Penn Water did just what I said. They leased their water power rights to Conowingo Company. At least that is my understanding of the transaction.

Q. Did Penn Water incur any expense in connection with the controversy with Susquehanna Power Company? A. Yes, they incurred some expense in defending the [8603] validity of their ownership to the water power rights.

Q. What was the total amount of that expense? A. \$39,301.46.

Q. Where was that amount charged on the books? A. Flowage basin account, I am told.

Q. In what account have you reclassified this expenditure in your original cost claim? A. It was reclassified in the original cost study to Account 303, miscellaneous intangibles.

Q. Why did you include the expenditure in Account 303? A. It was rather a hazy item and it seemed to me that it might as well be put there as any other place. I have no brief for it. It doesn't seem to me to make any difference whether you put it there or in some other account. My only concern is that you leave it in the capital investment.

* * *

[8607] By Mr. HALL:

Q. What was the character and scope of the work performed by Penn Water during the years 1929 to 1932 under your Job Order C-791, extension of triangulation system, Mr. Gunn?

* * *

THE WITNESS: That work, that is the extension of the triangulation system, and that job to which you referred, Mr. Hall, was one of two jobs, the other being job order C-970, and being entitled "Property Ties to Triangulation System."

Mr. Bortner was sponsor engineer on these jobs and is familiar with the costs incurred. I have discussed these matters with him and have some knowledge of installing a permanent triangulation system and connecting thereto all of the isolated property surveys. It is common practice to establish a base network where property surveys of several [8608] properties are to be made over a large area. Such a system exists in the Safe Harbor development and is included as a part of the original cost of that project. The triangulation system established at Holtwood is a permanent system and the control points consist of brass plugs set in rock or pipes set in concrete. By connecting independent property surveys to the system the geographic relationship of independent property surveys is determined. This simplifies the plotting of maps, the replacement of missing property monuments, future defense of property ownership, and the making of additional property surveys. The existence of a permanent base network is also of value when surveys of river coal deposit are made from time to time. I have been informed by Mr. Bortner that in his opinion the existence of the triangulation system saved approximately 1100 man-days of field and office work in establishing the bearings and distances of the project boundary line required to be filed in connection with Exhibit K-1A and K-1C of the application for license filed by Penn Water.

By MR. HALL:

Q. What was the extent of the territory covered by the work performed under job order C-791? A. Covered the flowage basin.

Q. How does this work tie in with the work done by the U. S. Geodetic Survey? [8609] A. The U. S. Geodetic Survey tied in to the company's triangulation point and used that, and beginning from that point, made their own extension beyond what the company had done.

Q. I think you referred to the territory being covered as the Holtwood flowage basin. Is that the same thing as

the Holtwood project? A. Flowage basin is part of the project.

Q. Did it cover only that part? A. Well, when I refer to the flowage basin, Mr. Hall, I am referring to all of the lands necessary and used and useful in the Holtwood project.

Q. What was the total cost of work under job order C-791? A. \$3,338.25.

Q. How is that amount classified in your claimed cost? A. I don't recall how it is classified, Mr. Hall.

Q. Does that answer apply to the amount of \$3,151.71 which was incurred under job order C-970? A. Yes, sir.

* * *

[8610] By MR. HALL:

Q. What were the duties and activities of the Lancaster office during the period from 1911 to 1923? A. Mr. Bushong and the Lancaster office [redacted] on which he operated, and where the expenses were incurred, was real estate agent for the company for many years and it is my recollection that between 1912 and 1924 he acquired a total of 64 properties, some of the negotiations lasting over periods as long as nine years. I do not have any detailed information as to the identity or location of the properties acquired. In my opinion, based upon the facts submitted to me by Mr. Bortner, which facts I do not recall in detail, the salary of Mr. Bushong and the expense of the Lancaster office for the period from 1910 to 1924, were properly claimed as original cost of electric plant.

Q. Is it claimed in connection with purchases made of property? A. Yes, I believe that is correct.

Q. Did Mr. Bushong submit regular time reports covering his activities during the period from 1911 to 1924?

[8611] A. I don't know whether or not he did. I haven't seen them if he did.

Q. Did Mr. Bushong submit periodical reports? A. I never have seen any such reports. I really don't know.

Q. Mr. Gunn, when you were just discussing Mr. Bushong's salary did you intend to include the entire Lancaster office? A. You mean expenses?

Q. Yes. A. Yes, sir. Those appear, Mr. Hall, as items 7 and 8, I believe, on Exhibit 204.

I beg your pardon. They are items 6 and 7 on Exhibit 204.

Q. Mr. Gunn, with respect to the amount claimed in item 17 of Exhibit No. 204, is that also claimed in connection with the purchase of land?

• • •

THE WITNESS: Yes, sir.

By MR. HALL:

Q. Mr. Gunn, isn't it a fact that you have included in Penn Water's original cost claims as plant items, amounts previously charged by Penn Water to operating expenses? A. Yes, sir.

[8612] Q. Did you ascertain whether the amounts you so restated had been charged to operating expenses in accordance with management's discretion pursuant to accounting practices it was then following? A. I determined they were not, that rather they were accounting errors and the amounts so claimed are, of course, representative of physical property.

Q. Did you determine that there were accounting errors or did someone else determine that for you? A. I think the conclusion was reached by me in conference with the company's accountants and lawyers.

Q. Is that determination based upon your present judgment as to the appropriate classification of such amounts?

• • •

THE WITNESS: By that determination you are referring back, are you, Mr. Hall, to the determination that these were accounting errors?

By MR. HALL:

Q. To the restatement. A. Of course it was based upon my judgment in 1939 and 1940.

Q. And the discussion we have just had, Mr. Gunn, applies equally as well to the restatement of items from the [8613] depreciation reserve?

MR. KING: What do you mean "discussion you have just had", Mr. Hall? You mean the reasons the witness has given for claiming the amounts?

MR. HALL: That is right.

THE WITNESS: Yes, I would say it applied to those, also. It all goes back, of course, to the basic necessity of determining the original cost of the company's property.

By MR. HALL:

Q. What in your opinion did you consider was an accounting error? A. Well, as I recall about 130 examples of it included in the company's claim for original cost.

Q. What is your definition for accounting error? A. I don't have any particular definition in mind. It is something accounted for incorrectly.

Q. Who decided that those items were accounted for incorrectly? A. I did, with the assistance of the company's accountants and lawyers.

Q. What standard did you apply in making that determination? A. Several standards. I applied the classification of accounts of Pennsylvania Commission in effect at the time the accounting was done, the fact that the company had or had not [8614] followed a consistent policy, and I found they had not, and I also considered the fact that some of the accounting errors were errors in the treatment of property replaced in kind, some of the other items involved betterments, some other items involved outright additions to property, and that they were all in violation of the system of accounts in effect at the time the accounting was done. That seemed to me to make them erroneous.

It seems to me that the instruction 2-B of the Federal Power Commission's classification of accounts requires they be corrected. In any event, whether it requires it or not, it most assuredly permits it.

Q. Mr. Gunn, I show you at this time the original affidavit signed by Pliny Fisk, Sr. which affidavit is part 9 of Exhibit 27. Do you recognize that document? A. Yes, sir.

Q. Attached to that affidavit are two documents. Is that right? A. Yes, sir.

Q. Each of them bears Mr. Fisk's initials? A. Yes, sir.

Q. Is the first document the prospectus and underwriting agreement of March 1, 1905, which was incorporated as part 5 of Exhibit 27? A. Yes, sir.

[8615] Q. Is the other document the bond and stock purchase agreement of March 25, 1905 which is incorporated as part 10 of Exhibit 27? A. Yes, sir.

* * *

By MR. HALL:

Q. Mr. Gunn, in connection with obtaining Hutchinson's affidavit which is part 1 of Exhibit 27, how many times did you personally contact Hutchinson? A. That question gives me a little trouble, Mr. Hall, for this reason: I contacted Hutchinson, I would say, seven or eight times, perhaps, in the course of the period of time between my first contact with him when I asked his assistance in connection with the original cost study and the period when I last was in indirect contact with him through his lawyer at the time the affidavit was obtained.

I don't know whether you could say that all of those contacts were, to use your words, for the purpose of obtaining the affidavit. They were for the purpose of obtaining Hutchinson's assistance in connection with the original cost.

Q. Where was Mr. Hutchinson located at the times you conferred with him? A. Various places. I conferred with him first, I believe, [8616] in Miami, Florida.

Q. When?

THE WITNESS: I believe that was in January or February of 1938 that I conferred with him. That is as close as I can recall it.

By MR. HALL:

Q. Is that the only time you conferred with Mr. Hutchinson in Miami? [8617] A. That was the only time I conferred with him, but I went to Miami on the occasion of obtaining his affidavit a year later. I didn't confer with Mr. Hutchinson at that time but rather with his personal lawyer.

Q. Do you recall just exactly when you conferred with his lawyer? A. Well, I would say it was a couple of days prior to the 14th day of January, A. D. 1939.

Q. You have stated you saw Mr. Hutchinson in Miami. When did you next see him? A. I believe the next occasion was perhaps a month or six weeks later.

[8619] By MR. HALL:

Q. What conferences did you have with Hutchinson other than the one you referred to being held in Miami? A. As I recall in about six weeks or some such period, Mr. Hutchinson came to our Baltimore office at that time, I believe, and spent one or two days going over documents and discussing his recollections of McCall Ferry with us. I believe he came to the Baltimore office twice, but I don't remember the date of the second trip to Baltimore.

Then on one and perhaps two occasions I saw Mr. Hutchinson in New York at the University Club where he lived when he was in New York and discussed various aspects of the McCall Ferry history with him.

Q. Who was present at your conferences in Baltimore?
A. In general Mr. Eichhorn and Mr. Chase, and for a part of some of the conferences Mr. Walls was present and I believe on one occasion Mr. Higgins was present.

Q. Who was present when you conferred with Hutchinson in New York? [8620] A. I don't believe there was anybody present at those conferences but myself.

Q. Who was present at your conferences with Mr. Hutchinson in Miami? A. Mr. Higgins.

Q. Was there any reason for waiting until January of 1939 to obtain Hutchinson's statement? A. Yes, a very good reason.

Q. What was that? A. I had no expectation but what Mr. Hutchinson would be alive and able to appear at the hearing when it came to the question of our original cost, and, as a matter of fact, I discovered his physical condition as a result of having written a letter to make another engagement with him to come to our Baltimore office for further assistance. The response to my letter to Mr. Hutchinson was a reply from his lawyer saying that he was in very bad health and that if we wanted any further help from him we had better get it immediately.

As I recall, I left Baltimore within one or two days and went by plane to Miami to see Hutchinson's lawyer after I learned of his condition.

Q. Was the first time you saw Rhinehart at the time you went to get the affidavit in January of 1939? A. Yes, sir.

Q. Rhinehart had no personal information as to the [8621] early history of the project nor the detailed data you possess as a result of your prolonged study. Isn't that so?

* * *

THE WITNESS: That is true. He didn't have any prior to the time I gave it to him.

By MR. HALL:

Q. Did you go with Mr. Rhinehart when he conferred with Hutchinson with respect to the affidavit? A. No, sir.

Q. Did Rhinehart deem it inadvisable for you to accompany him? A. I don't remember why I didn't go.

Q. Was Hutchinson's physician present when he signed the affidavit which is Part 1 of Exhibit 27? A. Who do you mean by "he"? You mean when Hutchinson signed the affidavit?

Q. Yes. A. I really don't know. There is included in Part 1 of Exhibit 27 the physician's statement as to Hutchinson's condition.

Q. Hutchinson died on January 16, 1939, didn't he? A. About that date, I believe. He died a very few days after the affidavit was obtained from him.

Q. Mr. Gunn, will you refer to page 9 of Exhibit 27? What is the illegible and obscured scribbling which appears [8622] above the words "his" X mark? A. I understand it to represent Hutchinson's attempt to sign the document.

[8622] Q. Is that what you were told or is that merely an assumption on your part? A. That is an assumption on my part. I don't know I ever actually inquired.

Q. Did Mr. Hutchinson have assistance in making the "X" mark? A. I don't know. I would have to ask Mr. Rhinehart that question.

Q. Who was present at your conference with Pliny Fisk, Sr.? A. I don't believe anyone was. I think I saw him by myself.

Q. That conference took place in June of 1938, right? A. At about that date as I recall it.

Q. Was Mr. Fisk in the hospital at that time? A. No, sir.

Q. Where was he? A. At his home in New York.

Q. Fisk died March 30, 1939, right? A. That sounds to me about right, Mr. Hall. I don't recall.

Q. Was Mr. Fisk ill at the time you conferred with him? A. No, not that I knew of.

Q. How long a conference did you have with Mr. Fisk? A. I would say it was three or four hours.

[8624] Q. Were you just starting out seeking information when you conferred with Fisk? A. No, I had already done a considerable amount of groundwork in accumulating information. The situation with which I was confronted was this: I had a large number of documents and couldn't manage to put them together so that they made a story that sounded reasonable. So I went to Mr. Fisk primarily to get his memory or judgment as to how those documents fitted together to state the true facts concerning McCall Ferry's history.

Q. Did you participate in the search made by Pliny Fisk, Jr. and W. D. Cole for the records of Harvey Fisk and Sons? A. What do you mean by participate, Mr. Hall?

Q. Did you aid in their search for the records of Harvey Fisk and Sons?

MR. KING: You mean did he go with them?

MR. HALL: Yes.

THE WITNESS: No, I didn't accompany them.

By MR. HALL:

Q. Do you know where the search was made? A. Various places as I understand it.

Q. Where, for instance? A. I don't recall offhand other than one specific place I know of, the Pliny Fisk Financial Library at Princeton. [8625] It is my understanding that Mr. Cole or Pliny Fisk, Jr. communicated with a number of previous employees of the Fisk firm, but the names of them I don't recall at the moment.

Q. Do you know over what period of time that search extended? A. As I recall it it was six weeks or two months.

Q. Why didn't you go back and talk with Mr. Fisk subsequent to June, 1938 after you, as a result of your further consideration and study, had become more familiar with the history of the project? A. Because Mr. Fisk asked that I handle the matter through his personal lawyer and through his son.

Q. How old was Mr. Fisk when he died? A. I don't recall, Mr. Hall, but he was well advanced in years. He was over 75, maybe more.

Q. Do you know whether Mr. Fisk actually dictated the answers contained in his statement which comprises pages 70, 71, 72 and 73 of Exhibit 27? A. No, I do not. You will have to ask Mr. Cole that question. It could be ascertained, I think.

Q. Had you seen the statement of Mr. Fisk after it was prepared but before it was signed by Mr. Fisk? A. No, sir.

Q. Mr. Gunn, will you refer to the last paragraph on page 75 of Exhibit 27? [8626] A. Yes, sir.

By Mr. HALL:

Q. You there state "It is also desirable that he initial the exhibits." First, what exhibits did you have reference to? A. The exhibits which are referred to in the first paragraph on page 74 in the first sentence.

Q. Are those the exhibits included in the participation?

THE WITNESS: I don't believe they are as I recall it, Mr. Hall. If you will notice, the question and answer statement of Mr. Fisk is dated December 29, 1938, and as I recall the documents which I identified this afternoon, and which were initialed by Mr. Fisk and attached to Fisk's original statement, were submitted to him in connection with that question and answer statement.

[8627] Then the question and answer statement did not contain all of the information we wanted and we prepared,

apparently, another document between that date and January 9th, together with a substantial volume of exhibits and sent those to Mr. Cole on January 9, 1939. Of course, at various times various of the parts of Exhibit 27 had been supplied to Mr. Cole and had been discussed by him with Mr. Fisk, but I can not now recall just what the list of documents was which were so supplied.

By MR. HALL:

Q. Why was it desirable for Mr. Fisk to initial the exhibits referred to in the last paragraph on page 75 of Exhibit 27? A. I think probably I got the idea from the fact Mr. Cole had him initial the first two exhibits submitted to him, although I have not been able to find initialed copies of those exhibits and I have a vague recollection that Mr. Cole forgot to ask him to initial them and he didn't do it.

Q. Mr. Gunn, will you refer to Transcript page 6921, line 4? A. Yes, sir.

Q. Isn't it a fact that in June of 1905 McCall had only \$6,400,000 cash available from bond subscriptions [8628] rather than the \$7,267,500 referred to at that point?

THE WITNESS: That depends, Mr. Hall, on how you interpret it. The figure referred to at that point of \$7,267,500 is the total amount realized from the sale of bonds. That amount reduced by the cash payment to Hutchinson and the cash payment to Harlow-McGaw, which payments were made by Susquehanna Contracting Company, equals the \$6,400,000 which Susquehanna Contracting Company was to turn over to McCall Ferry Power Company, or was holding available for McCall Ferry Power Company. So what in effect happened was that Susquehanna Contracting Company paid for the property of Harlow and McGaw out of the \$7,267,500 and had \$6,400,000 left for McCall Company to use in constructing its plant.

By MR. HALL:

Q. In referring to the Harlow-McGaw and Hutchinson lands at that point in the transcript you included in those amounts the payments of cash by Susquehanna to Hutchinson and Harlow-McGaw?

THE WITNESS: At what point?

[8629] MR. HALL: Page 6921, line 4.

By MR. HALL:

Q. Mr. Gunn, will you refer to page 6921 of the transcript, lines 6 and 7. Isn't it a fact that the amount of \$13,772 and \$1,221,000 and \$450,000 includes the cash paid by Susquehanna Contracting Company to Hutchinson and Harlow-McGaw and Pullen? A. Yes, sir, that is correct.

Q. The remaining cash due from Susquehanna Contracting Company to McCall was the amount of \$6,400,000? A. Yes, sir, that is correct.

[8630] Q. Then the \$8,951,772 referred to in line 6, transcript 6921 should be \$8,084,722. Right? A. Yes, sir, that is correct.

Q. That is correct, substituting the \$6,400,000 for the \$7,267,000. A. Yes, sir, that would make it correct.

[8638] MR. KING: Mr. Examiner, Mr. Goldberg's statement eliminates from discussion the question of the affidavits contained in Exhibit 27. As I understand it, he does not object to their admissibility, but his comments on them relate to their weight, which, of course, is for your Honor to decide at the conclusion of the case. So I think there need be no further discussion as to the affidavits.

[8639] MR. GOLDBERG: I object to their admissibility but not on the ground they are ex parte statements and the persons who made the affidavits are not presented for cross-examination.

RE-CROSS-EXAMINATION.

By MR. GOLDBERG:

[8700] Q. What is wattless energy? A. What is it?

Q. That is right. A. I am trying to think of an answer which doesn't go too far into the textbook, Mr. Goldberg.

Q. Keep my head above water. A. Wattless energy may be produced by a synchronous condenser or by the operation of any other generator by adding or absorbing a magnetizing current in the circuit, and the introduction of magnetizing current changes the characteristic of the supply or of the service, as the case may be.

[8712] Q. These two—220 K. V. Safe Harbor-Baltimore-Washington transmission lines at times carry backfeed energy for purposes of interchange. Am I right so far?

A. They do.

Q. And the interchange is between Penn Water and [8713] Pennsylvania customers, or the northern customers as they are referred to in the record? A. That is correct.

In some cases, of course, Safe Harbor is a party to those contracts.

Q. I don't want to get into that right now. A. I don't want to introduce it, either, but I wanted to be sure the record was clear.

Q. * * * Now, then, the interchange results from savings of benefits not only to Consolidated but to the Pennsylvania customers, right? A. That is correct.

Q. The two—220 K. V. Safe Harbor-Baltimore-Washington transmission lines are involved in bringing

about those benefits—right? A. Among other facilities which are required in addition to the lines between Holtwood and Safe Harbor and Baltimore.

Q. Right now I am talking about the two—220 K. V. Safe Harbor-Baltimore-Washington transmission lines, and what I have said is right as to those lines—right? A. That is correct.

Q. But the allocation you made of the costs of those [8714] two—220 K. V. Safe Harbor-Baltimore-Washington transmission lines is entirely to Consolidated—right? A. Properly so.

Q. It is entirely with Consolidated? A. That is correct.

[8719] Q. Are you saying that with your present contracts which you have with your customers to the north you could just [8720] as well get along without this backfeed from Consolidated for firm power purposes?

THE WITNESS: May I have the question again?

(Question read.)

THE WITNESS: Yes. Limited only by the fact that today and perhaps for the next few months the cost of generation is a little lower on the Baltimore-Washington system than it is in Pennsylvania, but if the cost of such energy was lower to the north, lower on the northern systems, the very same method of operation and the philosophy of our contracts would be such that we would purchase such supplemental energy from the north rather than from Baltimore, and we would then also be supplying Baltimore with interchange energy from the north rather than receiving backfeed from Baltimore Company.

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Stanley W. Roland, Cross

[8743]

STANLEY W. ROLAND.

[8746]

CROSS-EXAMINATION (Continued).

By MR. MYSE:

Q. Mr. Roland, at various places in your direct testimony, you mentioned the Safe Harbor Water Power Corporation, and in order to get the record straight on it, I ask if Safe Harbor is a licensee under the Federal Power Act.

MR. GOLDBERG: Mr. Examiner, I object to that as a legal question.

TRIAL EXAMINER: I will permit it as a preliminary question.

THE WITNESS: That is my understanding that Safe Harbor is a licensee.

[8747] By MR. MYSE:

Q. Do you know what project number it has? A. No, I don't recall what the number of the project is.

MR. GOLDBERG: I am willing to stipulate that it is No. 1025.

MR. MYSE: All right.

[8748] Q. Well, is the power from Safe Harbor used to serve the Pennsylvania Railroad? A. In part, yes.

Q. Is it used to serve other public utilities who use it to serve the public?

MR. GOLDBERG: What do you mean by public utilities in that question?

MR. MYSE: Well, Pennsylvania Power and Light Company, for example.

THE WITNESS: Energy generated by Safe Harbor would be delivered to Pennsylvania Power and Light and sold by them to their customers, I presume.

[8749] Q. Now, will you turn to page 981 of the record, if you have the copy before you? Now, beginning at line 8 your counsel asked you the following question:

"Do Holtwood and Susquehanna own and operate facilities for such transmission and sale at wholesale which are not used only for the transmission of electric energy which is not transmitted from any state and consumed at a point outside thereof."

You remember that question, do you not? A. Yes.

Q. And a little bit later on you say "Yes, that follows from one of my previous answers."

Do you remember that testimony? That is down at lines 20 and 21. A. Yes.

Q. Now, can you point out for me to which of your previous answers you are referring in that answer? A. Well, I expect it would take in quite a bit of my previous testimony in which I pointed out that these facilities were used for transmitting energy from one state to another.

Q. Now, just a minute. You say, "Yes, that follows from one of my previous answers." I would like to know which of your previous answers you are referring to there.

TRIAL EXAMINER: Look at 979.

[8750] THE WITNESS: Pardon?

TRIAL EXAMINER: Look at 979.

THE WITNESS: I don't find it right at the moment.

By MR. MYSE:

Q. Well, there are only two or three pages previous to that where you testified on that subject, isn't that so? A. Yes. It is one of those lawyer's kind of questions, I mean, which has so many double negatives in the darned thing that I—I don't find it right now.

[8754] MR. MYSE: Will you check, Mr. Roland, and come back with an answer at some future time?

THE WITNESS: Yes, sir.

By MR. MYSE:

Q. By the way, your testimony was prepared testimony, was it not?

MR. GOLDBERG: What do you mean by prepared testimony?

MR. MYSE: Prepared in written question and answer form before you came into the hearing.

THE WITNESS: That is correct.

By MR. MYSE:

Q. And you spent some time in preparing that testimony? A. Yes.

Q. As well as this answer line 20 to 21, page 981? A. Well, it wasn't just an offhand answer, I gave [8755] it consideration, yes.

Q. Now, in the light of your answer at page 981, whatever it means, do you agree that the facilities of Penn Water, not used for generation, are not necessarily used for transmission and sale of energy at wholesale transmitted from a state and consumed at any point outside thereof? A. You are talking about facilities not used for generation, that is the first part of it?

Q. That is right. A. Are not used, did you say?

Q. Are not necessarily used. A. Are not necessarily used for the transmission or sale?

Q. Transmission and sale. A. At points outside of a state, I mean, is that added to it?

Q. If you want the question reread, the reporter will reread it to you I am sure.

TRIAL EXAMINER: Read the question again.

(Question reread.)

THE WITNESS: Does it mean exclusive use in your question. You mean used exclusively for transmission and sale, at points outside of the state?

MR. MYSE: I will accept that.

[8756] By MR. MYSE:

Q. Can you answer the question with that amendment?

A. Well, I will agree that Penn Water owns and operates facilities which are not used exclusively for transmission and sale at points outside the state.

Q. Well, the fact that they are not used for generation, however, does not mean that they are used for transmission and sale of energy which crosses state lines, isn't that right? A. I am just trying to get in mind what facilities we are talking about when you say facilities not used for generation. Are we talking about the transmission facilities?

Q. We are talking about the facilities of Penn Water, the facilities that you were talking about starting at page 979, and through 981. A. Yes, but in your question now you are saying facilities not used for the generation of energy, that means we are talking about facilities used for the transmission. I want to know what you mean by it.

Q. I mean exactly what you meant when you were talking about facilities of Penn Water and Power. You are familiar with the facilities, are you not? A. Yes. But I still don't understand what you talked about—when you talk about facilities for generation of [8757] electric energy that are not used for transmission of electric energy just what you are talking about.

TRIAL EXAMINER: Just a moment. You do not have to speculate as to what counsel means. If you have any doubt you may preface your answer by stating what the question means to you.

THE WITNESS: When he speaks of facilities not used for the generation of electric energy in the Penn Water system I am then referring to facilities used for the transmission of electric energy.